



Joint Policy Committee

September 23, 2005
10:00 a.m. to 12:00 Noon
MetroCenter Auditorium
101 Eighth Street, Oakland

AGENDA

1. Call to Order
2. Approval of Joint Policy Committee Meeting Minutes of June 17, 2005 (attached) Action
3. A Consolidated Work Program for Implementing and Refining the Bay Area's Smart-Growth Vision (attached) Action

The proposed work program responds to a JPC direction that its member agencies organize together in order to pursue integrative regional planning. The program is the core part of a proposed report to the State legislature on functional consolidation and provides the basis and context for an application for California Regional Blueprint Planning Program funds. The work program document includes an appendix on incentives. This appendix incorporates discussion items deferred from previous JPC agendas.
4. Legislation Referencing the Joint Policy Committee (attached) Action

This item was deferred from June 17th. An addendum updates the status of the legislation since the original June memorandum.
5. The JPC in Relation to Pre-existing ABAG, BAAQMD and MTC Planning Committees (attached)

The Chair of the JPC has requested a report from the Executive Director of ABAG, the Executive Director of MTC, BAAQMD's Executive Officer and the Regional Planning Program Director on how the JPC's mandate relates to the mandates of existing regional planning committees at each of the three member agencies. The attached memorandum responds. This item has been deferred from previous meetings.
6. JPC Meeting Frequency Action

At its meeting on December 17, 2004, the JPC agreed to continue meeting monthly through June, 2005, at which time the meeting frequency would be reviewed. This item was not acted upon in June as there was not a quorum present. If the Committee is inclined to reduce meeting frequency, staff recommends that this not commence until 2006.

7. Other Business
8. Public Comment
9. Adjournment

NEXT SCHEDULED MEETING:

10:00 a.m. to Noon
Friday, October 21, 2005
MetroCenter Auditorium
101 Eighth Street, Oakland

This meeting is scheduled to end promptly at 12:00 Noon. Agenda items not considered by that time may be deferred.

The public is encouraged to comment on agenda items by completing a request-to-speak card and giving it to JPC staff or the chairperson.

Although a quorum of the Metropolitan Transportation Commission may be in attendance at this meeting, the Joint Policy Committee may take action only on those matters delegated to it. The Joint Policy Committee may not take any action as the Metropolitan Transportation Commission unless this meeting has been previously noticed as a Metropolitan Transportation Commission meeting.



Joint Policy Committee

Minutes of the Meeting of June 17, 2005 Held at 10:00 AM in the MetroCenter Auditorium, Oakland

Attendance:

ABAG Members:

Jane Brunner
Dave Cortese
Mark Green
Scott Haggerty
Rose Jacobs Gibson

BAAQMD Members:

Chris Daly
Mark DeSaulnier
Pamela Torliatt
Gayle Uilkema

MTC Members:

Sue Lempert
John McLemore, Ch.
Sheila Young

ABAG Staff:

Paul Fassinger
Patricia Jones
Janet McBride
Kenneth Moy
Christy Rivierre

BAAQMD Staff:

S. Bourguignon
Jack Broadbent
Henry Hilken
Jean Roggenkamp

MTC Staff:

James Corless
Frank Harris

Other:

Ron Bishop, Oakland BPAC/ARCHO
Jean Finney, Caltrans, District 4
Dr. Richard Jackson, State Public Health Officer
Sherman Lewis, Bay Area Alliance, Sierra Club
Hiroko Kurihara, Rockridge Community Planning
Council
Peter Lydon, SPUR
Linda Murchison, California Air Resources Board
Bob Planthold, MTC Advisory Council
Daniele Spirandelli
Leslie Stewart, Bay Area Monitor
Lynn Terry, California Air Resources Board
Art Weber
Jeff Weir, California Air Resources Board

JPC Staff:

Ted Droettboom

1. Call to Order

As Chair Haggerty was delayed, Mr. McLemore called the meeting to order.

2. Approval of Joint Policy Committee Meeting Minutes of May 27, 2005

The minutes of the previous meeting were approved.

3. The Health Effects of Sprawl

Dr. Richard Jackson, State Public Health Officer, described the causes and effects of a number of current epidemics, particularly obesity, with emphasis on the contribution of urban built form. Dr. Jackson's PowerPoint presentation is available for viewing on the JPC website: www.abag.ca.gov/jointpolicy/jpc_presentations.htm. The accompanying audio recording of Dr. Jackson's speech is also available through the website, www.abag.ca.gov/jointpolicy/jpc_webcast.htm, and at MTC's archive of meeting webcasts.

Issues and ideas identified in discussion included:

- The potential for health objectives to conflict, at least nominally, with other public objectives—such as transportation efficiency, facility and infra-structure maintenance, and public liability—requiring hard compromises;
- The increasing difficulty in arriving at simple, healthful solutions because of multiple and indirect jurisdictions (e.g., local jurisdictions have little say over school location and size, which is now largely determined by the State with little regard for the community or health consequences.);
- CEQA's emphasis on other environmental issues and species over human health and the nascent interest in a public health impact statement for development.

4. Air Quality and Land Use Handbook

Lynn Terry, Deputy Executive Officer of the California Air Resources Board (ARB), summarized ARB's efforts to provide guidance on the co-location of various land uses relative to localized air quality concerns. Ms. Terry's PowerPoint presentation and the audio record of her remarks are also available through the JPC website.

In discussion, the following topics were covered:

- The difficulty of applying the guidelines in developed urban areas, where schools are located near freeways and transit-oriented development must occur around existing BART stations located in the middle of freeways;
- The particularly difficult dilemma for mixed use given the pernicious nature of on-site dry-cleaning operations;

- The special problems for cities containing ports, which have particularly high concentrations of diesel emissions and other pollutants;
- The large contribution of diesel PM to the overall problem and the possibility that much of the need to deal with land-use issues would be obviated if there were better diesel emission standards;
- The possibility that, although the guidelines were intended to be used with other land-use criteria to arrive at acceptable compromises, they may be misinterpreted as absolutes, rather than as relative standards and further frustrate otherwise sensible infill.
- The observation that in spite of the potential for misuse, it would be irresponsible not to make current knowledge about airborne health hazards available to the land-use debate.

5. The JPC in Relation to Pre-existing ABAG, BAAQMD, and MTC Planning Committees

As there was not a quorum at this point in the meeting, this action item was deferred.

6. Legislation Referencing the Joint Policy Committee

As there was not a quorum at this point in the meeting, this action item was deferred.

7. JPC Meeting Frequency

As there was not a quorum at this point in the meeting, this action item was deferred.

8. Other Business

The Regional Planning Program Director reported:

- That MTC had deferred action on the draft Resolution 3434 policy pending a report back from staff on removing the combined housing/jobs requirement from the proposed thresholds and substituting a higher housing minimum.
- That discussions are being held in Sacramento on a new source of funding for regional “blueprint” (vision and vision implementation) planning and on funding for local specific plans

that could contribute to a streamlined CEQA process for housing and mixed-use development. The latter is consistent with the JPC's September 2004 legislative agenda.

9. Public Comment

There was no public comment aside from that directed at specific agenda items and incorporated into the summary of those items.



**Association of Bay Area Governments
Bay Area Air Quality Management District
Metropolitan Transportation Commission**

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Joint Policy Committee / Regional Planning Program

Date: September 14, 2005

To: Joint Policy Committee

From: Regional Planning Program Director

Subject: A Consolidated Work Program for Implementing and Refining the Bay Area's Smart-Growth Vision

At its meeting of January 28, 2005, the Joint Policy Committee (JPC) directed that the Executive Director of the Association of Bay Area Governments (ABAG), the Executive Director of the Metropolitan Transportation Commission (MTC), and the Executive Officer of the Bay Area Air Quality Management District (BAAQMD) organize inter-agency resources to pursue integrative regional planning. The attached consolidated work program results from that direction. It sets forth a common rationale and a shared set of general tasks for pursuing and sharpening the regional Vision over the next few years.

This program is intended, in part, to respond to the functional consolidation requirements of SB 849 (Torlakson, 2004), as it describes a set of planning activities to be undertaken together by the regional planning agencies. Additional opportunities for administrative and technical cooperation will be described in an October memo to the JPC. The approved consolidated planning program and the cooperation opportunities will be combined in a report required FOR the Legislature by January 2006. That report must be considered by the JPC as well as by the ABAG Executive Board and the Metropolitan Transportation Commission before delivery to Sacramento.

The work program builds upon the regional Vision and on the implementation which has occurred to date (for example, Projections 2003/2005, the Transportation/Land-use Platform TLC/HIP and the Resolution 3434 TOD policy). It recognizes that a great deal of work still needs to be done to achieve the compact, transit-oriented region called for in the Vision.

The regional agency Executives have agreed to recommend *housing* as the strategic focus over the next several years. This responds to a growing public and political imperative to effectively address the region's housing affordability crisis. It also recognizes that the location and density of housing has a profound impact on other factors of importance to the region's future: housing development is the paramount consumer of unprotected open space, it competes with other desired uses (for example, industrial and goods-distribution facilities) for prime urban infill sites; and we have determined that locating housing and hence population closer to existing points of transit access will have a greater positive effect on transit trips and vehicle miles traveled than new investment in transportation infrastructure. Further, the region has a statutory obligation to complete a Regional Housing Needs Allocation (RHNA) over the next couple of years. This

contentious task is most positively approached by tying it closely to the Bay Area's common aspirations for itself as expressed in its Vision.

The consolidated planning program acknowledges that cities and counties have the primary responsibility for land-use planning and will principally determine where and at what densities housing development occurs. The regional Vision—which calls for compact, infill development in existing communities—can only be effectively implemented through local government decisions. Therefore, the understanding and buy-in of cities and counties, and the support of their citizens, are critical to making our growth strategy work. For that reason, ABAG and MTC are applying to the State for a Regional Blueprint Grant to fund that portion of the program aimed at increasing comprehension and commitment to the Vision among the region's local governments and among their local communities.

The one-million-dollar Blueprint-funded work will proceed through two interrelated efforts:

1. *Engagement of local governments and community stakeholders:* to remind local governments and local community stakeholders of the Bay Area's Smart-Growth Vision and the reasons underlying that Vision; to clarify the application of the Vision and principles to the region as a whole and to its specific constituent communities; to illustrate the implications of Vision-driven housing development on local neighborhood character. The outreach will employ geographic information system (GIS) map layers to graphically demonstrate the spatial interplay of smart-growth ideas and principles and will use three-dimensional imaging technology to show how density scenarios will appear in familiar contexts. Prototypical impacts on local transportation infrastructure and other common concerns will be modeled.
2. *Negotiation of specific priority areas for region-serving housing development:* to demonstrate and document local commitment to the regional Vision, to assist in the assignment of housing targets developed under a Vision-driven RHNA process, to provide the geographic basis for determining eligibility for future smart-growth incentives (e.g., local planning grants, transportation and infrastructure funds, open-space acquisition dollars, brownfield remediation assistance, housing subsidies) to be distributed by the State or region.

As the State has set a September 30th deadline for the Blueprint Program application, our funding proposal has already been considered by the MTC Planning and Operations Committee and by the ABAG Executive Board.

RECOMMENDATION

With the concurrence of the Executive Director of ABAG, the Executive Officer of BAAQMD, and the Executive Director of MTC, I RECOMMEND:

- A. THAT the JPC approve the attached *Consolidated Work Program for Implementing and Refining the Bay Area's Smart-Growth Vision* as a general guide for interagency regional planning activities and that it commend it to its member agencies for that purpose;

- B. THAT the JPC direct that the *Consolidated Work Program* be incorporated in a report on functional consolidation to be considered by the JPC, the MTC, and the ABAG Executive Board before submittal to the State Legislature in January, 2006;
- C. THAT the JPC endorse the work approach embodied in our application to the State for Regional Blueprint Program funding as a first step in pursuing the *Consolidated Work Program*.

A CONSOLIDATED WORK PROGRAM FOR IMPLEMENTING AND REFINING THE BAY AREA'S SMART-GROWTH VISION

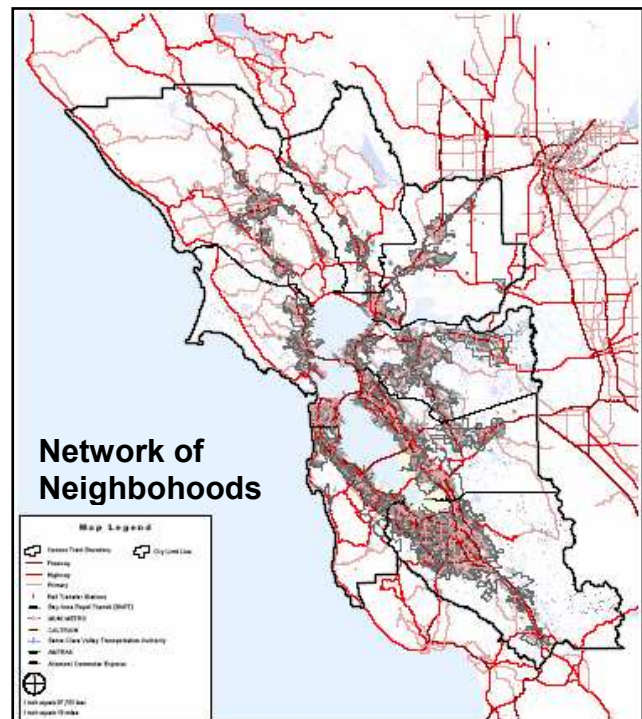
At its meeting of January 28, 2005, the Joint Policy Committee (JPC) tasked the Executive Director of the Association of Bay Area Governments (ABAG), the Executive Director of the Metropolitan Transportation Commission (MTC), and the Executive Officer of the Bay Area Air Quality Management District (BAAQMD) with organizing inter-agency resources to pursue integrative regional planning. This work program is proposed as the initial ends and means of that organization. It sets forth a rationale and a set of tasks for pursuing and sharpening the regional vision over the next few years.

MANDATE TO ACT

A number of recent initiatives provide the conceptual foundation, the analytic basis, and the public/political impetus to move forward on the implementation and continued refinement of an integrative strategy for the Bay Area's growth and development. This work program builds upon the collective mandate and strategic directions embodied in these initiatives.

***Smart Growth Strategy / Regional
Livability Footprint Project: Shaping
the Future of the Nine-County Bay
Area***

Completed in October 2002 by five regional agencies¹ with the multi-sector collaboration of the Bay Area Alliance for Sustainable Communities, this pioneer regional planning effort involved the participation of thousands of Bay Area residents and produced the first smart-growth vision for a major metropolitan area in California. The vision aims to concentrate future growth near transit in a compact “network of neighborhoods,” mostly existing communities, surrounding the Bay.



Smart Growth Preamble and Policies

Adopted in 2003 by four of the five Bay Area regional agencies², this concise statement (Appendix A) constitutes the official expression of the Bay Area's smart-growth strategy and is a summary statement of the principles underlying the region's vision.

¹ The Association of Bay Area Governments (ABAG), the Bay Area Air Quality Management District (BAAQMD), the Metropolitan Transportation Commission (MTC), and the San Francisco Bay Regional Water Quality Control Board

² The San Francisco Bay Regional Water Quality Board has not adopted the Preamble and Policies.

Projections 2003/2005: Forecasts for the San Francisco Bay Area to the Year 2030

Adopted by the ABAG Executive Board, *Projections* are the official population, household, jobs, labor force, and income forecasts of the Association of Bay Area Governments (ABAG). These forecasts are used by the Metropolitan Transportation Commission (MTC) and the Bay Area Air Quality Management District (BAAQMD) to provide the demographic and economic assumptions for their official plans. Beginning with the 2003 series and continuing with the 2005 series, the forecasts assume that growth will be reshaped by public policy to conform more closely to the region's smart-growth vision, as described by the *Smart Growth Strategy / Regional Livability Footprint Project*. Without changes in local land-use policy consistent with the vision, the forecasts will not be achieved.

Compact for a Sustainable Bay Area

Published in November 2003 by the multi-sector Bay Area Alliance for Sustainable Communities and affirmed by a variety of organizations³, including ABAG, BAAQMD and MTC, the *Compact* collectively commits the signatories to a plan of ten actions:

1. Enable a diversified, sustainable and competitive economy;
2. Provide housing affordable to all income levels;
3. Target transportation investment;
4. Preserve and restore the region's natural assets;
5. Improve resource and energy efficiency, reduce pollution and waste;
6. Focus investment to preserve and revitalize neighborhoods;
7. Provide quality education and lifelong learning;
8. Promote healthy and safe communities;
9. Support state and local government fiscal reforms;
10. Stimulate civic engagement.

³ Organizations belonging to the Bay Area Alliance and affirming the *Compact for a Sustainable Bay Area* include the Alameda-Contra Costa Transit District, Architects, Designers and Planners for Social Responsibility, the Association of Bay Area Governments, the Bank of America, the Bay Area Air Quality Management District, the Bay Area Council, the Bay Area Economic Forum, the Bay Conservation and Development Commission, the Bay Planning Coalition, Building Opportunities for Self Sufficiency, the Contra Costa Council, the Contra Costa Economic Partnership, Earth House, the East Bay Asian Local Development Corporation, the Economic Development Alliance for Business, Environmental Defense, the Greenbelt Alliance, the Greenlining Institute, the Homebuilders Association of Northern California, the Interfaith Coalition for Green Planning, the League of Women Voters of the Bay Area, Legal Aid of Marin, the Metropolitan Transportation Commission, the National Economic Development and Law Center, the Natural Resources Defense Council, the Nature Conservancy, the Non-Profit Housing Association of Northern California, the Pacific Gas and Electric Company, PolicyLink, the Regional Alliance for Transit, the Richmond Improvement Association, the San Francisco Bay Regional Water Quality Control Board, the San Jose Silicon Valley Chamber of Commerce, the Sierra Club, the Silicon Valley Manufacturing Group, Urban Ecology, Urban Habitat, the Urban Strategies Council, Youth in Focus. Sixty-six of the region's 101 cities and all nine counties also took actions supporting the work of the Bay Area Alliance and the process of developing the *Compact*.

Final Report of the ABAG/MTC Task Force

The Task Force, formed to review the relationship between the Association of Bay Area Governments (ABAG) and the Metropolitan Transportation Commission (MTC), recommended in a December 2003 report that a Joint Policy Committee (JPC) be established to advance integrated regional planning by implementing and updating the regional vision and by coordinating significant planning activities of the two agencies.

Senate Bill 849

This legislation, chaptered in September 2004, codifies the Joint Policy Committee in state law and requires that the Bay Area Air Quality Management District (BAAQMD) join ABAG and MTC on the JPC. The legislation also requires that the JPC review and coordinate major planning initiatives from all three agencies, including: the regional transportation plan (RTP), the regional housing needs allocation (RHNA), and the ozone strategy.

Assembly Bill 2158

Also enacted in September of 2004, this bill encourages the consolidation of the information base and timelines for the regional housing needs allocation (RHNA) and the regional transportation plan (RTP).

Transportation / Land Use Platform

Part of *Transportation 2030*, the regional transportation plan (RTP) adopted in early 2005, the Transportation / Land Use Platform expresses the Metropolitan Transportation's Commission's policy commitment to smart-growth principles and implementation of the smart-growth vision.

Resolution 3434 Transit-Oriented Development Policy

This policy, approved by the Metropolitan Transportation Commission in July 2005, establishes planned housing-unit thresholds⁴ that corridors slated for transit expansions or extensions will have to meet in order to qualify for regional discretionary funding. The policy also provides a funding program for station-area specific plans to assist corridors in meeting their thresholds.

State of California Regional Blueprint Planning Program

The May Revision to the Governor's proposed 2005-2006 budget contains a provision "to increase federal authority by \$5 million to provide grants to metropolitan planning organizations (MPOs) to produce regional 'blueprint' planning documents. MPOs, in cooperation with the Councils of Government, may voluntarily apply for grants to develop plans that will guide future development and land use decisions to promote economic development, while protecting the environment, promoting healthy cities, and reducing unnecessary travel demand." This is consistent with other state initiatives, from both the administration and the legislature⁵, to support regional planning with the objective of achieving more compact, transit-efficient development.

⁴ Thresholds vary by transit technology.

⁵ Bills directed at infill, transit-oriented development, smart growth, and specific plans have been introduced by Senators Perata, Torlakson, Kehoe and Lowenthal and by Assembly Members Hancock, Torrico and Mullen, among others.

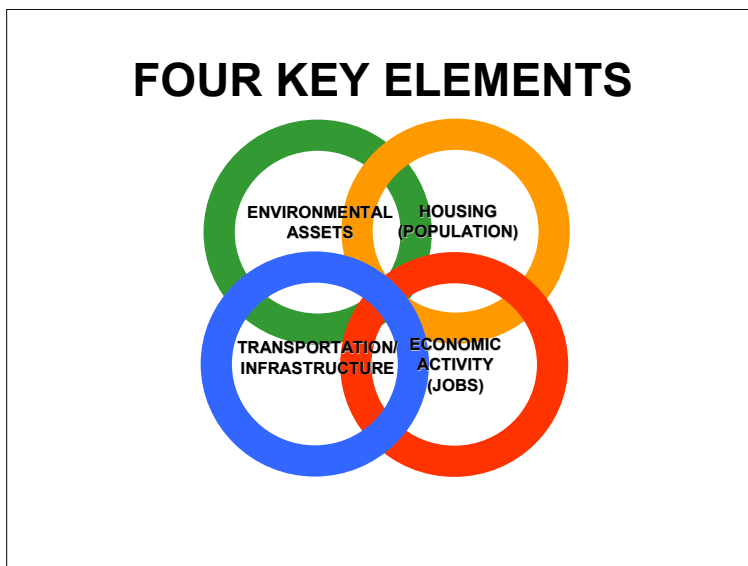
ROLES AND INTERESTS

This work program relies on a partnership among regional agencies, between regional agencies and local governments, and between governments and other sectors. It is based on key assumptions about the roles and interests of the partners as follows:

- Responsibility for land-use planning will continue to remain with counties and cities. Therefore, local governments will principally determine where and at what densities development occurs. The Association of Bay Area Governments (ABAG) is organized for the collective benefit of its local government members.
- ABAG is also charged by the State with allocating housing needs (quantitative housing unit targets by income group) for inclusion in the housing elements of local general plans.
- The location and density of population and employment are the paramount determinants of transportation demand and transit usage. Concomitantly, the location of transportation infrastructure can exert a major influence on the intensity of development interest. The Metropolitan Transportation Commission (MTC) allocates state and federal transportation funds in the region and is charged with using these funds in the most efficient manner possible. MTC also collects and administers a substantial portion of local transportation funds. To maximize the return on very expensive transportation investments, MTC has a legitimate interest in the location and density of development.
- The Bay Area Air Quality Management District (BAAQMD) has an interest in moderating the emission of chemical pollutants and the combustion of fuels. Motor vehicles are the principal source of air pollution in the region, and motive fuel combustion is a major source of the greenhouse gasses that contribute to global warming. The proximity of complementary land uses to one another and to public transit affects motor vehicle use and cumulative emissions.
- While governments can set the stage for growth and development, it is principally private investment that builds the homes, offices, factories and stores where we live, work and shop. Positive change requires the participation of the private sector, and the private sector has an interest in protecting the regional economy from a number of threats: unaffordable housing, intolerable traffic congestion, degradation of the environment.
- The Bay Area has a rich tradition of active and effective volunteerism: protecting water, open space, and other environmental assets; advocating the interests of the disadvantaged and the disabled; pursuing individual and community health; ensuring that the costs and benefits of growth and development are equitably shared; watch-dogging public decisions. The voluntary sector has important things to say about the future of the region, its participation will enrich the process and our considerations, and it requires seats at the table.

STRATEGIC FOCUS

There are four interconnected elements that together encompass nearly all the concerns typically addressed in a regional physical planning program. As illustrated in the diagram to the right, these are (1) environmental assets (natural features and resources), (2) housing (the dwellings required by a regional population), (3) economic activity (which creates jobs at employment locations), and (4) transportation and infrastructure (the network of public facilities that ties together jobs and housing and serves the region's development).



The regional smart-growth vision, upon which this work program is built, addresses all four of these elements and, more importantly, their interconnections. It clearly recognizes, for example, that the relative locations and densities of housing and economic activity profoundly influence our need for transportation infrastructure and drive our consumption of natural assets, including air quality and open space.

Without diminishing the long-term importance of the other three elements, this initial work program focuses on ***housing*** as the critical element of greatest strategic importance at this moment in time. This focus is supported by a number of observations:

- There has been an unprecedented escalation of housing prices in the Bay Area over the last several years, making homeownership prohibitively expensive to all but a small percentage of new households⁶ and exerting a concomitant, though less pronounced, upward pressure on rents.
- The unaffordability of housing threatens the health and competitiveness of the regional economy by making it difficult to recruit and retain skilled employees and necessitating higher salaries than those prevailing in other regions.
- Housing costs have a disproportionate impact on the most vulnerable segments of our society, for whom decent shelter is becoming an increasingly unattainable commodity.
- New housing development is the prime consumer of one of the region's principal environmental assets: virgin and agricultural land.

⁶ This includes new migrants to the region; the dissolution and reconfiguration of existing households; and children growing up, leaving home and forming their own households and families.

- Many worry that high-value housing will outbid traditional uses for current centrally-located manufacturing, storage, and distribution lands. This will make goods movement more difficult and more expensive, contribute to increased pollution from truck exhausts, and further threaten the economic competitiveness of the region.
- MTC has determined that locating housing and hence population closer to existing points of transit access will have a greater positive impact on transit ridership than new investment in transit infrastructure. In a time of constrained fiscal capacity, getting greater bang for our public transportation buck is more important than ever. Residential proximity will also reduce vehicle miles traveled (VMT) and have a positive impact on air quality.
- With high vacancy rates in existing industrial and commercial space, there is not as much regional urgency or leverage attached to the location and density of future economic activity as there is to housing.
- There is a strong and growing public and political imperative to effectively address what is widely perceived to be a “housing crisis.”

As all four key regional planning elements are inextricably interconnected, a focus on housing will not exclude, and indeed ***will require***, parallel considerations of environment, economic-activity and transportation elements. Complementary work objectives and tasks address these elements—at this time primarily as they relate to housing. In future work programs, as the relative saliency of regional issues shifts, other elements may take primacy and replace housing as the principal focus of our work efforts.

The necessity to vary the concentration of our work over time is reflective of the reality that regional planning is a continuous learning process, one which implements our strategy while simultaneously testing and refining it and making it more responsive to changing circumstances. In fact, this consolidated work program recognizes that housing implementation will require the consideration of many associated factors which were not explicitly addressed in the pioneering 2002 vision that established our present strategy. As these factors are now brought into the picture, they will refine and enrich the strategy, making it a more robust tool for understanding and managing the Bay Area's growth. The integrative regional strategy will be periodically re-documented to reflect increments to our knowledge and resolve.

CORE WORK OBJECTIVES: ALLOCATE AND PRODUCE NEW HOUSING UNITS

The Association of Bay Area Governments (ABAG) is required by state law to allocate a regional estimate of housing unit need among the counties and cities of the Bay Area. The allocated estimates, sub-divided into income categories (very-low, low, moderate, and above-moderate) are then to be incorporated into the housing elements of local general plans.

ABAG last completed a regional housing needs allocation (RHNA) in June of 2001. That allocation, intended to guide the 2001-2006 housing-element cycle, distributed need with regard to seven criteria:

- Market demand for housing;
- Employment opportunities;
- Availability of suitable sites and public facilities;
- Commuting patterns;
- Type and tenure of housing need;
- Loss of units contained in assisted housing developments that changed to non-low-income use.

The fourth application of the RHNA process, and the related housing-element updates for the Bay Area, were scheduled to begin at the start of 2005. However, ABAG submitted a request to the state's Housing and Community Development Department (HCD) for an extension to synchronize with the process for updating the Regional Transportation Plan. The HCD staff response to this request has been positive. ABAG believes the extension will also allow time to improve the overall process.

One obvious improvement flows from the completion of the region's smart-growth vision and its incorporation in official regional policies and policy-based forecasts (*Projections 2003 and Projections 2005*). Unlike 2001, the region now has a widely accepted and officially adopted normative basis for directing regional housing growth, and it is the same basis already underlying the regional transportation plan and regional ozone strategy. Further, the vision shares common objectives with new state legislation governing the RHNA process: to promote infill development and socio-economic equity, protect agricultural and environmental resources, and encourage efficient development patterns

With the vision in mind and with *Projections 2005* established as the official quantitative expression of the vision, the primary basis for allocating new housing unit need is clearer and less ambiguous than it ever has been before. Unmistakably superior to all the 2001 criteria is the new regional objective of directing population and housing growth to a compact network of neighborhoods, hugging the Bay, largely in existing communities, and oriented to the regional transit system. Maximizing the achievement of this regional smart-growth vision should now be the paramount purpose of the housing allocation process. Other criteria are appropriately conceptualized as constraints on this goal maximization.

However, while allocating future housing units to the network of neighborhoods is necessary, it is not sufficient. The work cannot stop with allocation, or with the incorporation of that allocation in local housing elements. The work also needs to assist in getting housing actually built. A paper distribution of theoretical units is not good enough. Only real housing production will help ameliorate the region's housing crisis and assist in achieving the other objectives—particularly transportation efficiency and environmental protection—associated with the location and density of population and household growth. Therefore, the program must include a parallel thrust to address impediments to and incentives for appropriate housing production.

CORE TASKS

Stream 1

Housing Allocation: establish shared housing objectives.

#	Task Description
1.1	<p>Test, modify and confirm the gross distribution of households within the regional livability footprint.⁷</p> <ul style="list-style-type: none"> Review <i>Projections 2005</i> against new considerations of: <ul style="list-style-type: none"> Resolution 3434 TOD corridor thresholds; Air quality concerns relative to sensitive receptors; Regional freight movement concerns relative to the provision of goods distribution facilities and land uses; New state data on infill potential.⁸ Within the basic confines of the network-of-neighborhoods footprint and its gross population distribution objectives⁹, and with the consultation of affected local governments, relocate projected growth areas and modify density assumptions.
1.2	<p>Develop <i>draft</i> twenty-year and five-year housing targets by jurisdiction and sub-region.</p> <ul style="list-style-type: none"> Constrain and partition the gross distribution of households with regard to: <ul style="list-style-type: none"> Achieving a fair share of low- and very low-income units within and across jurisdictions; Maintaining a reasonable relationship between jobs and housing; Avoiding new concentrations and reducing existing concentrations of low-income housing; Responding to market demand by tenure and type; Replacing lost low-income units. Publish draft targets by jurisdiction and by sub-region and within each by infill and greenfield development.
1.3	<p>Negotiate <i>final</i> twenty-year and five-year housing targets among jurisdictions within sub-regions.</p> <ul style="list-style-type: none"> With regional facilitation, allow jurisdictions to trade all or portions of their targets with other jurisdictions for appropriate consideration, provided <ul style="list-style-type: none"> That trades result in distributions that are in the compact, infill, transit-oriented direction of the vision, and That social-equity objectives are not significantly compromised. Publish a consolidated plan of final targets as an initial refinement of the vision.

⁷ Network of Neighborhoods scenario as contained in the final report of the *Smart Growth Strategy / Regional Livability Footprint Project*, October 2002

⁸ Work completed by Landis *et al* under contract to the California Business, Transportation and Housing Agency.

⁹ As initially established by *Smart Growth Strategy / Regional Livability Project* and as interpreted in *Projections 2005*

#	Task Description
	<ul style="list-style-type: none"> • Modify <i>Projections</i> to reflect new targets.

Stream 2

Housing Production: provide enabling groundwork and facilitate construction.

#	Task Description
2.1	<p>Establish priority areas for local specific-planning assistance within the network-of- neighborhoods footprint. Priority criteria to include:</p> <ul style="list-style-type: none"> • Opportunity to achieve substantial increases in housing stock; • Proximity to existing or planned transit nodes and corridors; • Proximity to employment centers; • Infill potential; • Opportunity to complete communities; • Opportunity to address social equity and housing affordability concerns; • Presence of difficult development or marketability issues that are realistically susceptible to solution through identified investigative and planning work (e.g., brownfields). • Probability of proceeding quickly to development, once planning is completed
2.2	<p>Within priority areas, solicit applications, evaluate, select, and provide funding for local governments to prepare specific plans and master environmental impact reports. Funding to be provided from two sources:</p> <ol style="list-style-type: none"> 1. MTC Transportation for Livable Community planning grants for station areas in Resolution 3434 corridors only; 2. State of California specific plan fund.¹⁰
2.3	<p>Assist corridor planning.</p> <ul style="list-style-type: none"> • Facilitate and monitor corridor working groups as they allocate and plan to achieve thresholds established by MTC Resolution 3434 TOD policy. • Convene and enable multi-jurisdictional coordination of development and infrastructure planning on three major existing multi-modal corridors, facilitating achievement of a critical mass of quality transit-oriented development along those corridors.¹¹
2.4	<p>Convene a multi-sector task force on housing production.</p> <ul style="list-style-type: none"> • Vet and refine multi-sector work, responsibilities and organization with existing advisory groups and multi-sector planning organizations (e.g., ABAG Regional Planning Committee, MTC Advisory Council, Alliance for Sustainable Communities).

¹⁰ Legislation currently being drafted and vetted by Perata *et al*

¹¹ Funded by existing Caltrans and Haas Foundation grants for San Pablo, East 14th/International Boulevard, and El Camino Real corridors.

#	Task Description
	<ul style="list-style-type: none"> • With existing organizations and groups, identify responsible local government, private sector and voluntary sector interests with a stake in housing development and community change and devise an appropriate mechanism to bring these interests together to negotiate multi-sector solutions to housing production issues. • Employ facilitated, interest-based negotiation and collaborative planning techniques to agree on and recommend consensus solutions, in which all sectors bear some responsibility, to deal with: <ul style="list-style-type: none"> ○ Impediments to housing construction (e.g., CEQA, NIMBY, fiscal capacity, risk management, etc.); ○ Incentives for production (e.g., infrastructure priorities, permit streamlining).¹² ○ Funding, financing and long-term security of affordable stock.
2.5	<p>Initiate a program of regional planning “extension agents” (skilled professionals) to:</p> <ul style="list-style-type: none"> • Provide technical assistance to local governments in achieving housing and mixed-use development consistent with regional smart-growth objectives and local development criteria; • Facilitate communication, networking, and mutual aid among localities and between localities and the state government on housing planning and production issues; • Broker and package incentives from multiple sources to facilitate regionally supportive development;¹³ • Encourage and monitor the local achievement of regional objectives.¹⁴

COMPLEMENTARY WORK OBJECTIVES: ENSURING CONSISTENCY AND SUPPORT, MONITORING ACHIEVEMENT AND EFFECTIVENESS

Allocating units and achieving housing production in complete, transit-oriented communities, consistent with the region’s smart-growth vision are unarguably the paramount objectives of the region’s consolidated planning program for the foreseeable future. However, these core objectives need to be accompanied and supported by parallel short-term objectives for each of the three other key elements. There is also a special mandate to ensure consistency with the vision at the region’s edge, a need to seek state and federal support, and a requirement to continually assess how well we are doing. These complementary work objectives support the core objectives and add contextual perspective.

Identify and protect open-space priorities (Environmental Assets)

Even if the Bay Area is phenomenally successful in directing new housing growth to a compact network of existing networks, there will continue to be greenfield development at the edges to

¹² Appendix C provides an initial menu of existing and potential incentives that could assist the achievement of smart development, incorporating housing and mixed uses in well-planned communities.

¹³ See Appendix C for an initial inventory of the types of incentives which might be packaged.

¹⁴ Appendix B provides additional detail on the “extension agent” idea.

accommodate market demand and household preference, particularly for young families. We need a better mechanism to direct where this greenfield development will occur. In the current vision, open space is a residual; it is what is left over after development. This is not good enough. Some currently unprotected open space is more valuable than others, and it needs to be explicitly identified and protected if possible.

Plan and allocate supportive regional and state public investments (Transportation and Infrastructure)

As it can take advantage of existing capacity, infill housing development generally requires less transportation and infrastructure investment than greenfield development. However, some selective investment may be required to serve incremental demand, to fill-in the occasional service gap, to replace outdated and unserviceable capital, and to incentivize infill choices. An explicit infill investment program may be required.

Maintain a watching brief on commercial and industrial development (Economic Activity)

Industries with a high presence in the Bay Area have been particularly hard hit by recent economic downturns. As a result, there is a surplus of developed industrial and commercial space in the region. Vacancy rates are high, and there is not much new building occurring to accommodate economic activity. In the longer term, the location and density of economic development will be as important as the character of housing development in achieving the regional vision. In the shorter term, there will be little opportunity to influence the location and form of new economic activity, as most of it will likely be attracted to existing space.

While the economy slowly recovers, it is prudent to monitor the utilization and conversion of existing commercial and industrial buildings and the emergence of new economic activities. The conversion of some commercial and industrial development to housing uses is inevitable and, in many cases, highly desirable. However, we need to be sensitive to overall land supply and adjacency issues to ensure that economic competitiveness and goods-movement efficiencies are not compromised by inappropriate conversions. As new economic activities emerge and cannot be accommodated in existing locations, we need to be vigilant for opportunities to redress severe jobs to housing imbalances and support the development of complete communities, where housing and jobs coexist in proximity to one another.

Continue inter-regional planning

Housing growth, currently not accommodated within the Bay Area is spilling over into neighboring regions. Families are traveling farther and farther from the region's centers into adjoining counties to find homes they can afford. Left unabated, this inter-regional expansion will contribute greatly to vehicle miles traveled, highway congestion and pollution levels. In its current form, it will also be incredibly difficult and expensive to serve with public transit. Even with aggressive infill within the Bay Area, this peripheral growth is expected to continue. We need, therefore, to continue an assertive program of planning at the edges in order to manage the undesirable travel patterns which will otherwise result.

Seek Supportive Legislation

The advancement of core and complementary work objectives will be facilitated by an appropriate legal context and by supportive financial resources. The State exercises considerable control in both areas. The region will benefit from working with the executive and legislative branches to craft regional and local planning mechanisms which help achieve the vision and financial arrangements which provide needed incentives.¹⁵ Some Federal assistance may also be required.

Monitor and evaluate

We believe that implementation of the smart-growth vision will make a substantial difference to the quality of life in the Bay Area. However, we will not know how well we are doing relative the vision and whether the vision is achieving what it set out to do unless we measure and evaluate against explicit objectives. Tracking and assessment of our progress is integral to this regional planning program and is a required for federal transportation funding and to maintain compliance with federal air quality regulations.

COMPLEMENTARY TASKS

Stream 3

Open-space priorities: identify and protect.

#	Task Description
3.1	Identify existing protected and unprotected open space. <ul style="list-style-type: none"> • Map <ul style="list-style-type: none"> ○ Parks; ○ Open-space and agricultural conservancies; ○ Areas outside fixed urban limit lines / urban growth boundaries. • Compare to network of neighborhoods, compact development footprint. • Highlight residual and ambiguous open space between compact footprint and protected space.
3.2	Identify environmental-sensitivity, resource-value criteria and indicators. Bring together stakeholders from environmental, resource conservation and use, agricultural, recreational landowner and developer interests to agree on common set.
3.3	Overlay criteria indicators on residual and ambiguous open space to identify areas away from which growth should be directed and for which protection may be required. Negotiate priorities with broadly representative stakeholder group.
3.4	With stakeholder group, agree on plan and mechanisms for open-space protection.

¹⁵ Appendix C inventories some incentive ideas which could benefit from State support.

Stream 4

Transportation and infrastructure: plan and allocate supportive public investments.

#	Task Description
4.1	<p>Construct a supportive transportation program.</p> <ul style="list-style-type: none"> Explicitly identify and prioritize regional transportation investments that: <ul style="list-style-type: none"> support the agreed pattern of five- and twenty-year housing targets; may act to facilitate and expedite desired housing construction in priority locations.¹⁶ Package supportive investments for possible inclusion as an identifiable program in the next regional transportation plan (RTP).
4.2	<p>Recommend priorities for state infrastructure¹⁷ investment that will:</p> <ul style="list-style-type: none"> support the agreed pattern of five- and twenty-year housing targets; incentivize housing production.

Stream 5

Economic activity: ensure that community development and redevelopment respects regional economic objectives.

#	Task Description
5.1	<p>With economic and local-government stakeholders, identify an explicit set of regional economic development objectives that should be considered</p> <ul style="list-style-type: none"> in the allocation and production of housing, the identification of priority regional development areas, and the drafting of local development and redevelopment plans.
5.2	<p>Develop and implement a process to ensure that the above-identified objectives are considered in the regional and local planning processes undertaken pursuant to the regional strategy.</p> <p>Process to be vetted with stakeholders.</p>
5.3	<p>Monitor the utilization and development of commercial and industrial floor space.</p>
5.4	<p>In association with <i>Projections</i>, publish a biennial report of commercial and industrial floor space utilization and development, identifying issues from the perspective of</p>

¹⁶ Policy-based *Projections 2005* provide the demographic and economic assumptions for the regional transportation model and therefore have an implicit and indirect impact on priorities. The intention here is to be more explicit, direct, directive, and transparent.

¹⁷ Principally non-transportation, as transportation should be included in MTC RTP. This work may help the State implement AB 857 (Wiggins), which was chaptered in 2002.

#	Task Description
	<ul style="list-style-type: none"> • regional economic development objectives, and • regional transportation/land-use objectives.

Stream 6

Inter-regional planning: enter into joint planning and negotiations with surrounding regions.

#	Task Description
6.1	Identify Bay Area interests in and objectives for inter-regional planning: <ul style="list-style-type: none"> • What is the trend at the boundaries? • How would we like to redirect this trend? • What actions are required from this region and from surrounding regions?
6.2	Reconvene regional partnerships, negotiate a joint work program. Enter negotiations with a clear statement of Bay Area interests and objectives.
6.3	Undertake joint work program. Details to be determined by negotiations.

Stream 7

Legislative program: seek supportive laws and financial resources

#	Task Description
7.1	Identify annual legislation objectives consistent with regional planning priorities.
7.2	Pursue objectives in Sacramento and Washington through <ul style="list-style-type: none"> • Drafting and sponsoring of new legislation; • Seeking helpful amendments in legislation from other sources; • Supporting legislation consistent with our objectives.

Stream 8

Monitoring and Evaluation:

#	Task Description
8.1	Confirm consolidated list of key indicators of smart-growth success. <ul style="list-style-type: none"> • To be developed with multi-sector advisory group; • To build upon existing ABAG, MTC, and BAAQMD monitoring programs and upon the Sustainability Indicators constructed by the Bay Area Alliance.
8.2	Agree on and undertake consolidated program to collect and analyze key

#	Task Description
	indicators. Responsibilities to be partitioned among regional agencies and non-governmental partners.
8.3	Publish biennial state of the region report.

APPLICATION

This consolidated work program shall serve as the master expression of intent for a spectrum of coordinated activities undertaken, individually and together, by each of the three member agencies of the JPC. It shall also provide context and grounding for a number of individual funding applications which will be sought to undertake subsets of the tasks identified herein. The execution of this program in its entirety shall depend on obtaining resources presently not available in the member agencies.

Appendix A

SMART-GROWTH PREAMBLE AND POLICIES

Preamble

Current land-use patterns in the San Francisco Bay Area are putting intense pressure on the economic, environmental and social wellbeing of the Bay Area and of surrounding regions. The projected addition of over one million new residents and one million new jobs in the coming decades will further challenge our ability to sustain the high quality of life we enjoy today.

To help meet this challenge, the five regional agencies of the Bay Region—the Association of Bay Area Governments, Bay Area Air Quality Management District, Bay Conservation and Development Commission, Metropolitan Transportation Commission and the Regional Water Quality Control Board—along with the economy, environment and social equity caucuses of the Bay Area Alliance for Sustainable Communities, developed a set of Smart Growth policies.

The policies reflect the values articulated by workshop participants of the Smart Growth Strategy/Regional Livability Footprint Project and address Bay Area conditions. The policies are consistent with widely accepted notions of smart growth. They are meant to encourage meaningful participation from local governments, stakeholders and residents.

The policies provide a framework for decision-making on development patterns, housing, transportation, environment, infrastructure, governmental fiscal health and social equity that can lead us toward development of vibrant neighborhoods, preservation of open space, clean air and water, and enhanced mobility choices, while enhancing the Bay Area's relationship with surrounding regions.

Policies

Jobs/Housing Balance and Match

Improve the jobs/housing linkages through the development of housing in proximity to jobs, and both in proximity to public transportation. Increase the supply of affordable housing and support efforts to match job income and housing affordability levels.

Housing and Displacement

Improve existing housing and develop sufficient new housing to provide for the housing needs of the Bay Area community. Support efforts to improve housing affordability and limit the displacement of existing residents and businesses.

Social Justice and Equity

Improve conditions in disadvantaged neighborhoods, ensure environmental justice, and increase access to jobs, housing, and public services for all residents in the region.

Environmental, Natural Resource, Open Space and Agricultural Preservation

Protect and enhance open space, agricultural lands, other valued lands, watersheds and ecosystems throughout the region. Promote development patterns that protect and improve air quality. Protect and enhance the San Francisco Bay and Estuary.

Mobility, Livability and Transit Support

Enhance community livability by promoting infill, transit oriented and walkable communities, and compact development as appropriate. Develop multi-family housing, mixed-use development, and alternative transportation to improve opportunities for all members of the community.

Local and Regional Transportation Efficiencies

Promote opportunities for transit use and alternative modes of transportation including improved rail, bus, high occupancy (HOV) systems, and ferry services as well as enhanced walking and biking. Increase connectivity between and strengthen alternative modes of transportation, including improved rail, bus, ride share and ferry services as well as walking and biking. Promote investments that adequately maintain the existing transportation system and improve the efficiency of transportation infrastructure.

Infrastructure Investments

Improve and maintain existing infrastructure and support future investments that promote smart growth, including water and land recycling, brownfield clean-up and re-use, multi-use and school facilities, smart building codes, retention of historic character and resources, and educational improvements.

Local Government Fiscal Health

Improve the fiscal health of local government by promoting stable and secure revenue sources, reduced service provision costs through smart growth targeted infrastructure improvement, and state and regional sponsored fiscal incentives. Support cooperative efforts among local jurisdictions to address housing and commercial development, infrastructure costs, and provision of services.

Cooperation on Smart Growth Policies

Encourage local governments, stakeholders and other constituents in the Bay Area to cooperate in supporting actions consistent with the adopted Smart Growth policies. Forge cooperative relationships with governments and stakeholders in surrounding regions to support actions that will lead to inter-regional Smart Growth benefits.

Appendix B

DELIVERING REGIONAL PLANNING SERVICES THROUGH EXTENSION AGENTS

The regional planning “extension agent” idea comes from the rich body of literature that deals with the introduction of change and innovation. A frequent hero in that literature is the agricultural extension agent. Extension agents, usually connected to state land-grant colleges (agricultural universities), are charged with disseminating the latest in plant and animal husbandry to farmers in the field. Before the spread of the agri-business giants, extension agents were credited with the introduction of a wide spectrum of cultivation and harvesting innovations (e.g., blight-resistant hybrids) that dramatically increased agricultural production in the United States. This was most frequently done by going out and working with influential farmers one by one, consulting closely to achieve success and through the process planting seeds of information and setting examples which could be emulated by neighbors. In the literature, the process is referred to as the “diffusion” of information and innovation.

There are also variants of the extension-agent model employed by other successful organizations. In the days of big mainframe computers, for example, the IBM account executive established relationships with his/her clients that sold equipment and software for sure but also helped solve problems and introduced leading edge ideas into the client organizations. The International City Management Association has a “rangerider” program that sends veterans around to counsel practicing city managers and help them work through issues in their organizations, in the process facilitating the cause of professional city and county administration. The Conference Board periodically sends out representatives to meet individually with its members, making a direct connection to the resources it provides and strengthening its place in corporate America.

To disseminate regional planning ideas and information, the regional would begin selecting and training at least some part of their planning team to regularly and routinely play an extension agent role, working directly with cities and counties in addition to helping to produce regional analyses and policies. That role might include some or all of these activities:

- Following up on the release of a regional policy report or on the completion of a regional planning workshop or seminar to answer questions, receive feedback and help recipients work through the processes of diffusion, adoption, and implementation within their individual organizations;
- Collecting information, both formal data and informal assessments, about what is happening in individual communities relative to the region’s strategic objectives and playing this back in ways that help both localities and the region monitor and adjust their progress;
- Making connections to specific on-target information resources and tools that can help localities work through their compact-growth challenges, to relevant state and federal regulations, to potential grants and other funding sources, and to other localities

(regionally and nationally) that are working through similar problems (i.e., facilitating networking);

- Organizing workshops and task groups among localities to tackle issues which they share in common;
- Participating in local planning teams and local problem-solving task forces where both local and regional issues are addressed, providing another source of technical expertise and intellect to supplement that resident in the locality;
- Identifying regionally significant projects at a stage early enough to provide helpful regional comment and to influence the projects in an effective, non-confrontational manner;
- Playing Jiminy Cricket, showing up every once in a while to inquire about progress on compact growth projects, to remind local participants of their important regional role and to gently nag (mostly just by their presence and interest);
- Generally building an environment of helpfulness, trust, respect and knowledgeable authority that helps pursue the regional agenda through local actions.

Appendix C

EXISTING AND POTENTIAL SMART-GROWTH INCENTIVES

1. An Incentive Framework

Incentive: a thing that motivates or encourages someone to action or increased effort (Compact Oxford English Dictionary).

Incentives can be arrayed along a continuum from *tangible*, very real and definite, to *intangible*, more vague and abstract. A tangible incentive might be something like a direct cash grant tied to the achievement of a specific development objective (say, a prescribed number of housing units at a particular density and/or affordability level). An intangible incentive could consist of simple recognition for a job well done (say, publication in a best practices manual or a plaque presented at an awards ceremony). Lying somewhere between the extremes of the continuum would be an incentive like risk reduction (for example, providing lower-cost insurance to cover the unknowns of site remediation) or technical assistance (helping development proponents through unfamiliar territory). Tangible incentives are generally easily valued in financial or economic terms; a dollar number can usually be attached. The value of intangible incentives is generally less clear or less certain. Tangible incentives most often go directly to the bottom line; intangible incentives may take a more circuitous route.

Incentives can also be scaled both positively and negatively relative to a zero baseline, at which actors may be indifferent to particular types or intensities of development. Moving decision makers to the base line, and beyond to action, may require the removal of negative *disincentives* as well the provision of positive incentives.

Three separable actors may require incentives. First are the developers and investors who need to commit to and construct specific projects. Second are the cities and counties that must plan for and encourage particular kinds of development. Third are the local communities or neighborhoods that are required to accept change, generally in the form of increased densities and associated impacts. All three actors are motivated by a range of tangible and intangible incentives, though tangible incentives may generally be more important to developers and investors and intangibles may play a greater role for neighborhoods. In their mediating role, local governments may be subject to the greatest range of tangibles and intangibles. As well, local governments may occasionally act as developers and investors, making them sensitive to at least two separate incentive arrays.

The distribution of incentive emphasis among the three actors in the development process is graphically illustrated in the chart at the top of the next page. The more tangible the required incentives, the darker the shading.

base relatively unchanged may further bias local land-use preferences toward new commercial uses and away from housing. Tax-base splitting is clearly worth doing, but with care and with an eye on further improvements in the future.

More positive, stable and predictable land-use incentives would be provided by moving the entire property-tax base (residential, commercial and industrial) closer to current and real market valuations. However, while rational and quite practical, this is generally regarded to be politically unrealistic.

Regional tax-base sharing, such as occurs in the Minneapolis-St. Paul metropolitan area, has also been suggested as a way of neutralizing some of the perverse incentives that occur under the current local-government fiscal regime. The theory goes something like this: if local governments had to share a fixed proportion of the revenue they derived from new commercial and industrial uses, they would be proportionally less inclined to seek these uses in preference to other more socially desirable ones. As well, older, otherwise declining areas would be somewhat cushioned from the fiscal impact of businesses relocating. However, while theoretically compelling, the practical realities of calibrating a tax-sharing arrangement are daunting: its effectiveness varies both with the magnitude of the share and with the number of localities participating in the sharing arrangement. Implementation over the nine counties and 101 cities of the Bay Area would be a major undertaking.

A California version of regional tax-base sharing with a unique incentive twist was introduced during the 2001-2002 Legislature. AB 680 (Steinberg) would have had a proportion of sales and property tax revenues diverted from municipalities that did not meet their mandated housing obligations. Diverted revenues would be provided to the regional planning agency and effectively shared across the region by being used for regional purposes. The bill, which failed to pass, would have only applied to the Sacramento metropolitan area.

Another uniquely California variant on tax-base sharing would see localities swap a proportion of their sales tax revenues for an equal portion of property tax revenues currently flowing to the State. This is argued to provide cities and counties with a more stable revenue source and to reduce the incentive to favor retail commercial uses over housing. AB 1221 (Steinberg and Campbell) proposed this scheme, but failed to achieve passage in the 2003-2004 session of the Legislature.

2.2. Tax Increment Financing

Tax increment financing (TIF) was invented in California in 1952 and has been widely used across North America as a mechanism to pay for redevelopment expenditures—most commonly public capital infrastructure, but occasionally other investments deemed to be socially beneficial.

In its traditional California use, TIF is applied to the improvement of “blighted” areas. Currently before the California legislature is SB 521 (Torlakson). This bill would define “blight” to include the lack of high-density in a transit village area and, therefore, would permit the use of TIF to assist transit-oriented development. The bill has been described as TIF for TOD. Unfortunately, the use of “blight” as a rationale for TIF raises all sorts of negative connotations

and fears for affected communities—including the possibility of eminent domain. A more positive criterion for the application of TIF may be preferable.

The TIF concept is simple. Municipalities designate an area for improvement and then earmark a portion of the future growth in tax revenues derived from that area to pay down the municipal debt incurred in facilitating redevelopment. For TIF to work, the tax base in the redevelopment area must increase proportionately more than the tax base for the municipality as a whole. If it does not, then there may not be enough revenue to pay down the debt, or tax revenue will be diverted unintentionally from other municipal and non-municipal uses (for example, education) for redevelopment purposes. If the development is successful in increasing tax base, then, once the debt is paid off, the increment is gravy and can be applied both inside and outside the area for general public uses.

An important question for the smart-growth strategy is the appropriateness of TIF to facilitate land recycling and infill development in other areas that are not genuinely blighted or part of a transit-oriented development. AB 1203 (Mullin) appears to take a step in this direction. It proposes to authorize local governments to create “greyfield housing investment zones” in order to pursue regional redevelopment priorities. The zones would have access to TIF, transportation and infrastructure funds and affordable housing funds.

2.3. Grants-in-aid

Governmental categorical grants-in-aid are not as plentiful as they once were, and only a few are targeted, directly or indirectly, toward smart-growth objectives.

The most comprehensive smart-growth-related grant programs appear to be those directed at brownfield redevelopment (i.e., the cleanup and reuse of contaminated sites). Grants can often be parlayed with government-sponsored loans, loan guarantees, insurance, and technical assistance programs. Both the state (through CEPA) and the federal government (principally through the EPA) are active in this field, though needs seem to generally exceed available resources. The Association of Metropolitan Planning Organizations (AMPO), of which MTC is a member, has published a guide on using federal transportation funds to assist brownfield remediation.

The federal government, through the Department of Defense (DOD), also provides some grant money to assist communities in planning the reuse of closed military bases. To the extent that funds are available, this program may be applicable to several localities in the Bay Area.

Other grant programs that can be directed at municipal smart-growth initiatives are available through the Environmental Protection Agency (EPA), the Department of Commerce (DOC), the Department of Housing and Urban Development (HUD), and the Department of Transportation (DOT). At the state level, local-government grants are available through a number of agencies, including Caltrans, CEPA, and Housing and Community Development (HCD). While applicable to smart-growth initiatives, the nominal objectives of these grants program vary widely: from global atmospheric change, to community economic development, to affordable housing, to congestion management.

Many communities, of course, employ grants specialists—either in house or as consultants—to help identify and apply for grants applicable to their specific situation. There is at least one subscription-funded internet site, the sole purpose of which is to assist local governments in navigating the grants landscape, finding and interpreting categorical programs to fit their needs.

And the grants landscape for local governments is not solely populated by federal and state governments. Local-government grants are also occasionally available from private foundations (for example, Hewitt, Haas and Irvine), from trade-based associations (such as the Urban Land Institute) and even private corporations (the Bank of America). Most of these assist unique planning studies and demonstration projects.

As the JPC's smart-growth implementation program grows, one legitimate and worthwhile use of regional resources may be assisting local governments in identifying and accessing appropriate grant money from the confusing variety of possible sources.

Of special interest in the Bay Area are grant programs administered by BAAQMD and MTC.

BAAQMD's Transportation Fund for Clean Air (TFCA) is mostly to help finance local investments in transportation capital that contribute to less pollution. However, there are creative applications of these capital investments which may contribute to smart growth. For example TFCA monies were used to improve pedestrian and bicycle linkages in the Fruitvale Transit Village area, contributing to the overall success of that smart-growth project. In the current fiscal environment, moving projects forward requires combining funds from several sources, and the TFCA was one of many grant programs used in creative combination to advance the Fruitvale project.

MTC's program is Transportation for Livable Communities (TLC). MTC gives small local-government grants for community design and planning and for capital projects. Part of the TLC initiative is the Housing Incentive Program (HIP). HIP uses transportation funding to reward communities that promote high-density and affordable housing, as well as mixed uses, in association with transit.

TLC supports community-based transportation projects that:

- Are developed through a collaborative and inclusive planning process that includes broad partnerships among a variety of stakeholders;
- Improve the range of transportation choices by adding or enhancing pedestrian, transit and/or bicycle facilities, and by strengthening the links between these facilities and between these facilities and major activity nodes;
- Support well-designed, high-density housing and mixed use development that is well-served by transit, or will help build the capacity for future transit investment and use;

- Support a community's infill or transit-oriented development and neighborhood revitalization activities;
- Enhance a community's sense of place and quality of life.

A special application of TLC grants will be to fund station-area plans. Initially these planning grants are proposed to go to localities scheduled to be affected by Resolution 3434 projects. Over the longer-term, they could be applied to existing station areas pursuing infill development.

County congestion management agencies (CMAs) also use funding provided through MTC (the T-plus program) to support local smart-growth initiatives. CMAs provide their own TLC and HIP programs, in addition to those which occur directly through MTC.

Across the country, a few other Metropolitan Planning Organizations (MPOs) have launched programs similar to TLC. The Atlanta Regional Council (ARC), for example, has a Livable Centers Initiative (LCI) and the Minneapolis-St. Paul Metropolitan Council has a Livable Communities Demonstration Program and a Local Housing Incentive Program. A number of MPOs use Federal TEA-21 Transportation Enhancement money to support local community-development initiatives in association with transportation improvements. However, we know of no program as ambitious and as comprehensive as TLC in the Bay Area.

2.4. Loans and Financing Assistance

While obviously not as attractive as a grant, the availability of loan money at reasonable rates can assist counties and cities in undertaking smart-growth projects which they could not otherwise afford or which would not proceed in a timely manner were they to be funded on a pay-as-you-go basis.

SB 223 (Torlakson) proposes a revolving loan program to fund specific plans. Loans would be repaid by development fees and be forgivable in certain unspecified cases. Specific plans can be highly valuable in assisting cities and counties achieve higher density and mixed-use communities that are neighborly, work well in association with transportation and other local infrastructure, and are livable. In addition, specific plans permit the preparation of a master Environmental Impact Report (EIR) that can expedite development by streamlining CEQA review. Specific plans and master EIRs comprise the cornerstone of the JPC's initial legislative program. A possible weakness in the currently proposed bill is that it contains no source of revenue to fund the initial loan pool or to forgive some loans, as it proposes to do.

Municipal infrastructure projects associated with community redevelopment can receive loans from a revolving fund administered by the California Infrastructure and Economic Development Bank (CIEDB or I-Bank). Loans are awarded on a competitive basis with projects ranked using a criteria scoring system. The criteria include reference to smart-growth principles.

There are also various federal, state, and non-governmental loan programs to assist with the remediation of brownfields. One nascent program in this area is administered by the California

Center for Land Recycling. While most applicable to small community non-profits, the program has also been employed by cities and towns.

AB 350 (Mathews) would authorize the creation of infrastructure financing districts in inter-regional job-housing opportunity zones in order to stimulate economic development in housing-rich, job-poor areas. The obligations incurred in these districts would be repayable through tax increments.

Although not specifically targeted to smart growth, municipalities may also access ABAG financial services, including credit pooling, to finance infrastructure and redevelopment capital.

2.5. Senior Government Public Investment

The principle of prioritizing state infrastructure investments to support compact development and other smart growth initiatives was pioneered by Maryland in 1997. The Priority Funding Areas Act directs the State to focus growth-related infrastructure funds so as to support established communities and locally designated growth areas and to protect rural areas. Assessments of the Act's effectiveness in promoting intended growth are as yet inconclusive.

In 2002, California's AB 857 (Wiggins) became law. AB 857 deals with state infrastructure planning, priorities and funding. The bill establishes principles to guide the state's five-year infrastructure plan and its comprehensive Environmental Goals and Policy Report. Those principles give priority to infill development and redevelopment, cultural and historic resources, environmental and agricultural resources, and efficient development patterns. The state administration has not yet published the Environmental Goals and Policies which would give these principles effect.

MTC's draft TOD policy MTC's draft TOD policy uses the promise of regional transportation investments as an incentive for more compact development adjacent to transit. The proposed policy applies mostly to Resolution 3434 transit expansions, many of which might otherwise be sprawl-inducing or uneconomic. In the future, MTC may wish to consider how transportation investments can also be used to support and reward infill and density initiatives in more mature, established communities. This could be an area of intense interaction between the smart-growth strategy and the next regional transportation plan (RTP).

A public infrastructure area to watch relative to smart-growth incentives is the emerging "small schools" movement. One of the principal defining characteristics of a smart traditional or neo-traditional neighborhood is the neighborhood school, and the small schools movement is attempting to push public policy back to that model—mostly for educational reasons but with significant implications for how our communities are structured.

2.6. Relief from Statutory Obligations

Compliance with state and federal regulations can be expensive and time-consuming for developers and local governments alike. It can also introduce an element of uncertainty into the development process that increases risk for all parties. The poster child for expense, time and

uncertainty in this state is the California Environmental Quality Act (CEQA). Before even addressing possible mitigation, the process of compiling information and analysis is thought to make some redevelopments uneconomic or too risky to pursue. There is little appetite for abandoning the fundamental purposes of CEQA, but there is increasing discussion aimed at improving the process. Some initiatives provide CEQA relief when there is a presumed higher social or environmental purpose.

SB 1925 (Sher), signed into law in 2002, provided CEQA exemptions for a small class of affordable housing and infill development, particularly in the City of Oakland. SB 832 (Perata, Lowenthal, and Torlakson), introduced to the current sitting of the Legislature, expands CEQA exemptions to infill projects of up to ten acres and 300 residential units, but only in cities of 200,000 or more in population. Four Bay Area cities—San Jose, San Francisco, Oakland, and Fremont—would qualify.

2.7. Risk Management

With the advent of insurance pools, such as ABAG's PLAN, and more conscious municipal risk-management strategies, liability risk has become less of a concern to "deep-pocket" local governments.

The principal municipal risk concerns relating to smart growth center on brownfield redevelopment. If land owners (including local governments) discover contamination as part of a site investigation process, they may be held accountable for expensive remediation even if they decide not to proceed with redevelopment. This discourages some localities from beginning a redevelopment investigation. To partially deal with these concerns, California, along with other states and the Federal Government, have developed a number of risk mitigation instruments. These include some statutory limitations on liability, partial indemnifications, and pooled insurance schemes.

There is some argument about the sufficiency of these measures, and they are just obscure and arcane enough to make it difficult for local actors to determine what applies to their situation and what does not. In the municipal sector, when there is the confusion and uncertainty, the most likely action is no action. One possible regional role in the pursuit of smart growth could be assisting cities and counties in sorting through the complex risks and risk-management options associated with the reuse of potentially contaminated sites and assisting localities in accessing appropriate resources.

2.8. Technical Assistance

Environmental risk management is but one of several specialized technical activities that might be efficiently provided or brokered by a regional agency on behalf of local governments pursuing the smart-growth cause. Some technical areas are so rarified that many municipalities would have trouble even figuring out what sort of consultants to hire. It would be impractical and uneconomic to provide for some technical areas of expertise within the typical local government house, but it may be possible and beneficial to pool resources at the regional level.

A model for this, not directly related to smart growth, is ABAG's program on seismic hazard mitigation. For smart growth, experts might be provided by or contracted through a regional agency to deal with the many specialized aspects of station-area planning, to assist in representing and evaluating the impacts of various density scenarios, or to assess comparables so communities could evaluate the probable property-value effects of neighborhood change. The provision of model codes and ordinances may also be helpful. There are many more possible examples that the region could pursue in an effort to assist and thereby encourage localities to pursue smarter development. However, neither adequate financial resources nor many appropriately specialized experts exist in regional agencies at this time.

A possible first step along this path, acknowledging the very severe regional resource issue, would be for the region to more assertively assist networking among local governments. Cities and counties confronting similar smart growth issues could clearly learn from one another.

2.9. Awards and Recognition

MTC currently gives awards for various transportation achievements, and a number of regions around the country provide recognition for exemplary projects or leading-edge local development practices. These intangibles are probably more effective in spreading the good word than in motivating difficult local planning behavior, but they are relatively inexpensive and arguably worth doing just for the additional public, political, and professional attention they could bring to the smart-growth idea. In a region that continually bemoans its planning inadequacies, there is some merit in publicly celebrating smart-growth successes when they occur. Positive change often occurs through emulation, and it may be very helpful to recognize some high-profile examples that others can follow and then improve upon.

2.10. Intrinsic Rewards

Finally, it is really important to explicitly acknowledge that smart growth is any many ways its own incentive. The kind of development contemplated in the Bay Area smart-growth vision will help make our cities and towns more diverse and more interesting. It will provide an enhanced local market for shopping, dining, entertainment and recreational amenities and thus contribute to both sales and property tax growth. It will put eyes on the street that make our communities safer, potentially decreasing requirements for additional police. By concentrating development on the cooler Bay plain, it may reduce energy demands and help conserve water, moderating demand for new utility infrastructure. By encouraging walking and biking, it should help combat obesity and increase public health; and by protecting natural assets it will contribute to a better, more manageable environment. Smart growth will give people increased opportunity to choose to reduce their commute, potentially increasing the time they can spend with their families, in voluntary activities or in civic engagement. This could generate payoffs for child development, education, social services and quality government.

While tangible and direct monetary incentives may be required to kick start smart growth, ultimately it may be more intangible benefits like those listed above that will sustain that growth and make it the new norm. Of course, we need to be careful not to oversell smart growth; not because the benefits cannot be real, but because they will take a great deal of effort and a very

long time to achieve in a large, heavily developed region like the Bay Area. While not instant utopia, smart growth describes the qualities which people have traditionally valued in their communities and which exemplary local governments have consistently tried to achieve. By facilitating better communities and better government, it can be a genuine return to the future.

3. Incentives to Developers and Investors

Developers play a key role in the real estate business comparable to a producer in the movie business. They are the folks who bring all the various players, interests and factors together to make something happen. They option and acquire sites, work with local governments and neighborhoods to obtain development entitlements, arrange financing, hire architects, engineers and contractors, and market the product. Development is a difficult and risky business, and “smart” development can be more difficult and more risky than the alternative. It is hard enough in today’s highly regulated, litigious and fiscally constrained climate to develop virgin land on the urban fringe. It is an order of magnitude more difficult to make development happen on an infill site or on recycled land within an existing community—particularly if it involves a change in density or use.

Good, experienced developers know that, while the difficulties are many, the rewards of “smart” development can also be substantial. But, that knowledge and confidence may not be shared by some investors, who look upon a riskier development project as one of many alternative uses for their money and may not have the patience it takes to work through the twists and turns of reuse or innovation. Incentives which act to reduce these frictions and uncertainties may attract more developers and investors to smart projects. Carefully targeted incentives can also establish positive examples and an environment of success that help additional players recognize the smart-growth opportunity.

As with incentives for other actors in the development process, incentives to developers and investors can be arrayed along a continuum from intangible to tangible. Many of the intangible incentives appeal to the creative side of the development business; they help define the opportunity and manage the challenge. More tangible incentives may be required to help creative projects pencil out. They directly add revenue or reduce costs and can make the difference between profit or loss in a development *pro forma*.

Tangible incentives can be delivered by federal, state and local governments. Local governments can, as well, offer many intangible incentives. Regional agencies have few, if any, incentives, tangible or intangible, which they can deliver directly, but they can play an important role in identifying and brokering incentive packages.

This section starts with some of the tangible financial incentives potentially available to encourage developers and investors to undertake smart growth. It then works its way through to some intangible enticements that can attract and facilitate development consistent with the regional vision.

3.1. Tax reductions

Although not as widely and systematically used in California as elsewhere, property tax abatements and other tax deals are well-established mechanisms used by many local governments across North America to attract development. In fact, some believe that local tax incentives have been a key factor underlying sprawl: municipalities on the suburban fringe are seen to have used tax deals to help lure away businesses from older, more fiscally challenged central cities and inner suburbs. This has been described as a zero-sum game resulting in the abandonment of accessible central sites and, worst yet, the abandonment of an inner-city labor force, which finds it difficult to get to or live near new dispersed suburban jobs.

Contrarians argue that tax incentives have little real impact on gross location decisions; that they are mostly windfall rewards for businesses that would have made similar location decisions in any event for more fundamental economic reasons unrelated to the tax break. At best, tax concessions influence marginal choices among competing suburbs.

Regardless of their arguable short-term effect, for metropolitan good or for bad, most informed observers agree that tax incentives are of questionable long-term effectiveness in securing economic development and jobs. Although they are big deals for the local governments that give them, tax breaks are frequently overwhelmed by other more global economic concerns for the corporations that receive them. There are no long-term guarantees, and it is easy to find vacated office parks and factories, symbolic of local-government tax bets gone wrong. On the other hand, there are also a lot of apparent success stories and a continuing perception that localities win or lose based on the concessions they offer. Therefore, tax competition continues to persist in spite of the protestations of many regional development experts.

While tax considerations have been used to help retain businesses in traditional central settings and occasionally to attract businesses to “smart” locations (particularly to buoy up the jobs side of a jobs/housing imbalance), their use in smart-growth situations has not been prominent. Other than the special case of tax increment financing (TIF), tax incentives are mentioned hardly at all in the smart-growth literature except as a negative influence.

Clearly it is hard to envision property-tax forgiveness playing much of a role at all in achieving the Bay Area’s principal smart-growth objective: compact housing development. Unlike some commercial and industrial development, housing provides few direct fiscal *quid pro quos* for local government to compensate for the foregone property tax revenue. And in the absence of binding regional constraints, tax abatements for commercial and industrial development would most likely just amplify the undesirable effects of fiscalized zoning.

At this time, there appear to be only two limited cases, beyond redressing intra- and inter-regional job imbalances, where tax abatements may be useful as smart-growth incentives. One is currently permitted by California law; the other would seem to require new legislation.

Currently permitted by the 1972 Mills Act are tax abatements for historic preservation. These abatements may be of assistance to adaptive reuse of historic structures in existing communities. New residential development in old commercial or industrial buildings is an effective form of

infill which also retains historic character. The rehabilitation of historic retail districts may make the immediately surrounding area more attractive for more intense residential redevelopment, and the preservation of some historic housing stock—even at existing densities— may contribute to affordability objectives.

Another limited use of local tax incentives in association with smart growth may be the facilitation of mixed use in new development as well as in historic structures. A classic problem faced by nearly all large-scale mixed-use developments relates to the economics of providing retail and other commercial services before there is enough proximate residential market to support them. Yet the presence of those service uses in active operation can be very helpful in marketing the new residential units and in making the development work as a self-contained “village” as intended. Were they permitted, limited-period tax abatements to resident-serving commercial uses might assist mixed-use development economics during the critical start-up phase.

While local governments generally cannot afford to facilitate housing development through tax concessions, state and federal governments are in a very different position. In fact, income-tax credits are the principal means through which the federal and state governments subsidize the private provision of affordable housing. Typically developers sell dollar-for-dollar reductions in income-tax liability to investors and then apply the funds directly to the capital costs of affordable units.

A finite dollar amount of federal and state low-income housing tax credits are allocated in California by the California Tax Credit Allocation Committee (CTCAC). As part of a very complex, multi-objective scoring system within a complicated administrative process, CTCAC employs a few smart-growth criteria in awarding project points: in particular, location relative to transit and commercial services and situation within a revitalization area. The effective weight of these points relative to other objectives is difficult to assess. Because of low-income rental rate limitations, additional federal, state, and local subsidies, such as project-based Section 8 vouchers, may be required to make the economics of tax-credit housing work in high-cost urban areas. Another common federal tax subsidy for affordable housing occurs through the use of tax-exempt bonds.

While restricted federal and state tax credits and other tax subsidies have been used primarily to encourage the limited provision of affordable housing, it is conceivable that federal and state tax policy could also be directed to tip the balance in favor of other kinds of responsible “smart” development. Were there sufficient interest and will, a system of carefully targeted tax concessions (possibly effected through both income tax credits and state sales tax exemptions) could be justified by reductions in urban infrastructure and other public-service costs. Such a system would, however, run counter to current initiatives to simplify tax codes and their administration.

3.2. Tax Increment Financing

Tax increment financing (TIF) is a mechanism that local governments, through redevelopment agencies (RDAs), can use to encourage private development. By borrowing against future

incremental tax revenue in a redevelopment area, RDAs can finance public infrastructure which otherwise might have to be paid by developer impact fees. Further, a RDA may use TIF to acquire property and to construct or rehabilitate buildings for private use, providing, in effect, a tax-financed subsidy to private investment.

California redevelopment law currently restricts the use of TIFs and other redevelopment powers to “blighted” areas. However, recently introduced legislation (SB 531) seeks to broaden the already somewhat elastic definition of “blight” to include the absence of high-density housing in transit-oriented development areas. Another bill (AB 1203), while currently lacking detail, proposes to use TIF to facilitate greyfield redevelopment without apparently going through the artifice of “blight” or invoking the full range of associated redevelopment powers.

TIF is an incentive mechanism which has been used in California since 1952. Its extensive use beyond a small set of narrowly defined areas involves some risk that the anticipated differential tax increments will not be forthcoming. However, as part of a carefully managed and monitored smart-growth strategy, TIF may be the single most important incentive tool currently available to motivate private investment. A cautious extension beyond genuinely blighted areas is certainly worthy of serious consideration.

3.3. Land Assembly and Land Write-downs

Another very significant tool available under California redevelopment law is the power of eminent domain. This allows redevelopment agencies to condemn individual privately owned private parcels, consolidate and replat them into larger development sites (potentially also incorporating vacated streets and other public land) and sell them to private interests for redevelopment. Local governments, through RDAs, can provide a substantial incentive and development subsidy by relieving private developers of the cost and hassle of assembly. They can also ensure through the condemnation process that all required parcels are acquired at fair market value and that there are no extortionary holdouts. Further land write downs, supported by tax increments, can increase the subsidy and the incentive. In addition to providing for TIFs, SB 531 would allow the use of eminent domain and related real estate subsidies in transit-oriented development areas.

One indirect means of reducing land costs for developers, involving only an opportunity cost for local governments, is to make the publicly acquired land available through long-term, prepaid lease rather than fee-simple purchase. A typical deal would provide land with a sixty to ninety-nine-year lease for a prepaid amount of two-thirds to three-quarters of the fee-simple purchase price, with the land reverting to the locality at the end of the lease. Leases may be renegotiated and extended before expiration to allow secondary purchasers (usually condominium owners) to continue to mortgage their properties.

The public assembly and planning of redevelopment areas may also permit the pooling of some development cost and the collectivization of some required uses, particularly parking. The developers in a redevelopment area may benefit from economies of scale produced by constructing one large shared parking structure, and total parking requirements may be reduced

by planning for shared use, noting that different uses generate peak parking demands at different times of the day.

3.4. Fee reduction

Local governments levy two kinds of development fees: permit fees (for services like development approval and building inspection) and impact fees for required infrastructure and other services (of which CEQA mitigation fees may be a special case). Properly planned smart development may provide an opportunity to reduce both of these fees and thus provide some incentive for development to occur in “smart” areas. MTC funding for station area plans and State funding for specific plans, as proposed in SB 223 (Torlakson), provides an opportunity to consolidate some planning expenses upfront and achieve some economies of scale, thus potentially reducing the amount and cost of planning analysis required for individual projects. Directing development to infill areas with existing infrastructure and service capacity can obviate the need for some impact fees, particularly if a locality can resist goldplating its standards or inflating its requirements to placate community opposition.

3.5. Financing Assistance

Loans and loan guarantees at favorable rates are traditional ways through which governments have assisted socially beneficial projects. While not specifically targeted at smart projects, the Finance Authority for Non-Profit Corporations, an ABAG service, provides financing assistance to affordable housing suppliers. The ABAG Special Assessment Bond Roundup Program (SABR) offers an inexpensive way for local governments and developers to cooperate in setting up special assessment districts and issuing Mello-Roos Bonds.

3.6. Risk Management

Developers experience at least three kinds of risk in pursuing smart projects: the risk of a lengthy or unsuccessful approvals process, the risk of unanticipated high mitigation costs (particularly those associated with cleaning up contaminated brownfield sites), and the risk of construction defect litigation for higher-density, multi-family development. To the extent that governments can assist in lessening or managing these risks, they can reduce overall development costs and therefore encourage more development.

Exemption from CEQA requirements has been suggested as one mechanism for decreasing approvals risk—particularly for housing infill. SB 1925 (Sher), signed into law in 2002, provided CEQA exemptions for a small class of affordable housing and infill development, particularly in the City of Oakland. SB 832 (Perata, Lowenthal, and Torlakson), introduced to the current sitting of the Legislature, expands CEQA exemptions to infill projects of up to ten acres and 300 residential units, in cities of 200,000 or more in population. Four Bay Area cities—San Jose, San Francisco, Oakland, and Fremont—would qualify.

Cities and counties may also reduce approvals risk for individual developments by placing them in the context of well-developed plans that have been subjected to rigorous public review prior to individual project submission. Under current California planning and environmental law, master

environmental impact reports (MEIRs) may be prepared in conjunction with specific plans. These MEIRs can reduce uncertainty and many requirements for individual EIRs. The specific plans also provide a clear, ascertainable statement of public policy which can reduce risks for both developer and community. SB 223 (Torlakson) proposes to provide a revolving loan program to finance the preparation of specific plans. MTC will be providing grants for specific plans for some proposed transit-station areas. The facilitation of specific plans and master EIRs is a key component of the legislative agenda approved by the JPC in September.

Both federal and state governments offer a variety of resources to deal with the risks of brownfield mitigation. These range from indemnity from certain types of liability, to hazard insurance, to remediation loans and grants. One big problem appears to be in assessing and accessing the resources available. This may be particularly difficult for developers of smaller parcels who may not have the professional resources required to guide them through the complicated brownfield redevelopment process. The City of Emeryville has been remarkably successful in organizing a risk-management approach to assessment and remediation and in assisting developers through the brownfield minefield in its community. Others may learn from this example. The California Center for Land Recycling provides a program of loans, grants and technical assistance to help small non-profits redevelop environmentally distressed properties.

The fear of expensive construction defect litigation and the cost of insuring against this litigation are argued to impede the construction of multi-family housing for the ownership market. The development industry has asked for legislation to limit what it regards as meritless and frivolous suits or at least legislation that substitutes a less expensive mediation process. Opponents have argued that housing purchasers require all effective legal remedies to deal with shoddy construction and that litigation would not be an issue if construction were of acceptable quality. Some also note that there is some equity benefit in the current practice of initially building multi-family units for the rental market and then converting to ownership when litigation is no longer possible. Regardless of the truth and the merits of various arguments and counter-arguments, to that extent that the threat of litigation is an excuse for underperformance, it needs to be dealt with—either with the improvements that the industry is seeking or with better information to identify and fix the real problem.

3.7. Regulation Concessions

Local governments may relax a number of development regulations in order to encourage particular types of development or development at specified locations. Subject to maintaining public safety, virtually anything in a zoning, subdivision, or building code is fair game, but the most common relaxations relate to density, use, height, setbacks and parking. These concessions generally increase the effective yield and hence the return on investment per unit of land.

Through recently amended legislation—SB 1818 (Hollingsworth, 2004)—the State of California requires local governments to provide a prescribed and applicant-selected package of density bonuses and other concessions to developers who include affordable housing units or childcare facilities in their projects or donate land which may be used for those purposes. Pending AB 986 (Torrico) proposes to increase the state-prescribed density bonus by five percent for mixed-use projects located within priority transit-oriented development areas designated by the JPC.

In other jurisdictions, non-mandatory density bonus programs have been fashioned by local governments themselves to encourage the private provision of social, cultural, recreational or aesthetic amenities in association with new development. These amenities are typically sought to make the community more complete and livable.

One area of regulation relaxation of special interest to smart growth, and to transit-oriented development in particular, concerns parking standards. As the provision of an on-site parking space can cost between fifteen to thirty thousand dollars, the reduction of parking requirements can save developers and ultimate unit purchasers a lot of money. There is also some suggestion that if you build it, they will come: that if excess parking spaces are provided, residents will choose to own more cars and use those cars in preference to transit. Therefore, the provision of less parking, in addition to resulting in cost and land-consumption efficiencies, is thought, to be more transit friendly. However, many developers point to the reluctance of investors to finance projects built with smaller than standard parking complements. Units without ample parking are perceived to be less marketable. MTC is about to undertake a study to gauge actual parking demand in transit-oriented districts and the effect of parking supply on transit usage.

Building code refinements can also act as smart-growth incentives. Codes which encourage the adaptive reuse of former industrial or commercial structures and which facilitate mixed-use can assist infill and the development of complete communities. With proper care, safety need not be compromised.

3.8. Processing efficiencies

At today's interest rates, holding costs are not as expensive as they once were. However, time continues to be money, and localities that reduce the processing time for permits and other approvals will be more attractive to developers and investors. Among the improvements which can reduce processing time, as well as introduce greater ascertainability and certainty into the process, are the following:

- One-stop-shopping, an increasingly common practice, wherein approving authorities are co-located for the convenience of the applicant;
- Published processing manuals and flow-charts to assist all concerned in understanding and navigating municipal processes;
- Project scoping and streaming, separating simple projects from complex projects and placing them in different queues to reduce wait time;
- Development facilitation, wherein a single local government staff member is assigned to assist the development applicant and shepherd that applicant's project through the government bureaucracy (usually only employed for complex projects);
- Concurrent processing, wherein the requirements of multiple departments or agencies are dealt with simultaneously, rather than sequentially;

- Approvals delegation, vesting limited multi-agency authority in single agencies or individuals, allowing them to process a class of applications on behalf of more than one department or agency;
- Process monitoring, targets and guarantees, setting objectives for moving different classes of applications through the system, initiating interventions for applications that are not processed within the established time window (Deemed approvals are an extreme application of this principle.);
- Planned staff supplements, maintaining a system for bringing in retired staff or trained consultants to handle overloads and maintain processing targets;
- Project conferences, wherein the applicant is brought together with staff from all relevant agencies as soon as possible to identify as many requirements as possible upfront, to work through conflicts among various approving authorities, and reduce the possibility of “late hits.”

3.9. Planning Improvements

A number of observers have argued that one of the victims of California's flawed system for funding local governments has been community planning. In the absence of sufficient general-fund monies, many general plans are out of date, specific and neighborhood plans are not as plentiful and as robust as they should be, and developer-financed CEQA and individual project reviews are used as a substitute for planning foresight. This has contributed to uncertainty for developers and communities alike and has made infill and community change more difficult than they need be.

To begin remedying this situation, proposals are emerging for state funding of a hierarchy of regional, local and neighborhood plans. One of principal proponents of reinvigorated planning has been the Governor of California, but there are equally committed advocates from across the political spectrum in the State Legislature. Outside the halls of government, many environmental and development groups are also getting on the planning bandwagon.

General and specific plans, ideally consistent with a regional development strategy, are seen as a way of “front-loading” the CEQA process, providing a broader context for assessing environmental impact and preventing perverse environmental consequences resulting from the current CEQA emphasis on individual projects. Some observers have noted a particularly pernicious, but presumably unintended, consequence of the present plan-ignorant CEQA process. This is the over-consumption of virgin land and the facilitation of sprawl that occurs because municipalities allegedly mitigate impact by reducing density. This is argued to force unfulfilled demand farther out into the hinterland, where it eats up farmland and open space and contributes to more automobile commuting.

Aside from its potential to intelligently manage the CEQA process, enhanced local planning is capable of providing a number of other benefits, both to the existing community and to agents of change, including developers and investors.

The preparation of plans provides a means for communities to rationally consider the cumulative impacts of development outside of the threatening context of a pressing current proposal, and it allows the design of more systemic mitigations. The difficulty, of course, is in getting the public to pay serious attention to abstract planning exercises done in advance of real projects. While there are effective techniques for achieving high public engagement in planning programs, there will always be individuals for whom development potential is an unknown until a sign goes up on the site next door. At that point, there could be no more grievous assault on their quality of life. These individuals will continue to resist planned change with the same vehemence with which they oppose *ad hoc* projects. However, planning should increase the probability that individual impacts will be effectively mitigated while simultaneously protecting the regional environment. Planning will also provide the broader community with coherent arguments to counter more parochial concerns.

Better plans should benefit the development industry by providing clearer statements of public policy and a more certain context in which to evaluate and design potential investments. By explicitly coordinating public infrastructure with prospective private development and by facilitating mutually supportive uses, well-structured plans should enhance marketability, add value and protect investment.

Planning implementation tools, specifically zoning, can also be improved to encourage smart growth. AB 1268 (Wiggins), passed during the 2003-2004 sitting of the Legislature, permits form-based zoning. This type of zoning substitutes form and design regulations for the traditional separation of uses and, therefore, facilitates mixed-use development, more complete communities, and better quality development. Unlike discretionary zoning ordinances and planned unit development (PUD) zoning, the regulations incorporated in form-based codes are not negotiated with developers, but are prescribed in advance. This provides greater certainty for both developers and affected communities.

3.10. Attractive Communities

This final developer/investor incentive, while obvious, still requires emphasis as it may be among the most powerful. Developers are encouraged to build in certain areas by the same factors which cause their customers to purchase and rent in those areas. Housing consumers and developers serving those consumers are attracted to communities that provide first-rate public amenities and services. Everything else equal, communities that are clean and well-maintained, that are perceived to be safe, that have attractive and usable open spaces and recreational facilities, that have good schools, and that pay attention to the quality of their public realm will be more attractive to development than communities that are lacking in basic livability qualities. Money spent on high-quality public infrastructure and services is an investment in the future of the community, contributing to continued private reinvestment and renewal.

4. Incentives to Neighborhoods

Central to the smart growth idea are infill and redevelopment within existing communities. This kind of compact growth helps the region employ existing infrastructure more efficiently, it

reduces potential commute distances, and it supports the continued economic and social health of those existing places—reversing the trend to abandon and throw away older, inner areas. Unfortunately, residents of existing neighborhoods often oppose new development and are successful in defeating proposals before commissions, councils or boards or in discouraging developers from proceeding with their plans. Sometimes community opposition results in litigation, which can be time-consuming and expensive. Projects that are not abandoned may be modified to the point of grossly under-fulfilling their potential to serve smart-growth objectives.

Opposition generally stems from two root causes: (1) fear of displacement as the result of *gentrification*; and (2) a more general fear of change which can be exhibited in a multitude of economic and quality-of-life concerns. The second fear is pejoratively described as *NIMBYism*, though that broad label may at times be too dismissive of genuine issues which should and can be resolved. Effective neighborhood incentives need to address one or both of these causes, depending upon the specifics of the situation.

As with incentives for other actors in the development process, incentives to neighborhoods can be arrayed along a continuum from intangible to tangible. There are some quite tangible incentives available to encourage neighborhoods to accept growth and change, but many of the most effective neighborhood incentives tend toward the intangible end of the continuum. This section lays a foundation with some of these more intangible incentives and then works up the ladder of tangibility.

4.1. Involvement in the Planning Process

People and communities are generally more accepting of change if they have a role in designing it. Community participation allows residents and businesses to build indigenous neighborhood objectives into the planning and development process, to identify and mitigate potential negative impacts, and to achieve some co-ownership of the results. The plan is not just the developer's plan, or the city's plan, but the community's plan.

Community involvement in the planning process can take a variety of forms and can be arrayed over a broad spectrum of community ownership. In the context of contemporary open government, minimum community ownership is achieved by the ability to react and comment. A more meaningful, medium level of shared buy-in is achieved by inviting people to participate in a structured planning exercise, such as visioning and goal-setting sessions or design charettes. Maximum ownership is attained when communities are given some control over the planning process through an institutional mechanism like a neighborhood planning committee, which may oversee the entire process and make formal recommendations to decision makers. The last alternative permits the most in-depth discussion and informed negotiation of plan options.

The last alternative, a structured committee process, is also the most time-consuming and is frequently perceived as the most risky, because it requires some sharing of control. However, all levels of neighborhood involvement include some element of risk. The character of the risk varies as well as the magnitude. Minimum community involvement and minimum co-ownership of the planning process may result in a binary, all-or-nothing risk situation. The plan or project will either proceed or not, depending on the persuasive or political powers of opposing sides. In

the negotiated result more typical of a good planning-committee process, neither side gets everything it wants, but there is a compromise respectful of both community and extra-community objectives.

Good neighborhood planning requires very careful organization. All participants must clearly understand and accept their role in decision-making (particularly acknowledging who is responsible for the ultimate decision—usually a duly elected local council or board); and all relevant interests must be effectively represented around the table, not just present local interests, but also city-wide and regional interests which may have a longer-term stake in the outcome.

The benefits of community involvement in planning are explicitly recognized by MTC's TLC program, which requires as a first criterion that projects "are developed through a collaborative and inclusive planning process that includes broad partnerships among a variety of stakeholders."

4.2. Information

Neighborhoods frequently worry about the negatives which new development will bring: increased traffic congestion; more parking on the streets; pressure on schools, parks, recreation centers and other neighborhood infrastructure; reduced property values (or increased rents); reduced privacy and loss of sunlight access as the result of higher, larger buildings; decreased safety and security because of more and different people. Some of these worries are real, others are mythical. Some concerns are invented as proxies for baser, socially unacceptable fears that are seldom uttered.

Within this context, a lot of information will be greeted with skepticism, some will be dismissed, and much will be ignored. Nevertheless, the proponents of change are best advised to provide as much objective information about the impact of change as they can. This will help feed intelligent debate and allow the un-predisposed to make up their minds with more confidence than otherwise. Information has both intrinsic and symbolic value: it informs the decision and it exhibits sensitivity to neighborhood issues.

4.3 Incidental benefits

One specific class of information relates to the spillover benefits which new development can provide to surrounding and adjacent neighborhoods. Depending on the scale of infill or redevelopment, these can be substantial and might include:

- Increased market for existing and new stores, shops, theaters and restaurants (from which existing, as well as new residents can benefit);
- New jobs which can be filled by existing residents and their children;
- More foot traffic and eyes on the street, which can help improve perceived and real safety;

- New students that can help keep a neighborhood school open;
- New transit riders that can help justify a higher frequency of service;
- Neighborhood image and proximity effects, which may buoy up the values of all neighborhood properties;
- A generally more diverse and interesting place in which to live and interact.

4.4. New neighborhood amenities and infrastructure

New development is frequently required by CEQA and by local regulations to mitigate its impacts on the surrounding area. Public and private investment in association with new development may also be used to ameliorate undesirable conditions which existed before the development or simply to provide new amenities and other goods that make the change more palatable to the broader neighborhood. Among the enhancements which new development may provide to its surrounding neighborhood are:

- Open space, developed parks and other recreation and cultural facilities;
- New sidewalks and better pedestrian and bicycle connections, particularly to transit;
- Attractive street furniture, new pavement, street trees and landscaping, and improved street lighting.

4.5. Displacement mitigation

At the heart of the gentrification issue is the fear that the rising tide will not float all boats equally; that existing residents and businesses will not gain from neighborhood improvement but instead will be forced out by those able and willing to pay higher prices for newly improved or revalued properties. While not perfect, some mechanisms are available to assist those with lower incomes stay in the neighborhood and benefit along with new residents and businesses. Among these are:

- A municipal requirement that developers provide an allocation of replacement housing at affordable rents or ownership costs;
- Location-efficient mortgages, which permit those with easy access to transit to qualify for higher mortgages by virtue of the fact that they require a lower percentage of their income for automobile commuting expenses;
- Modification of zoning ordinances to permit secondary, accessory units; providing lower-cost accommodation for renters along with mortgage helpers for lower-income homeowners;

- Tax abatements or deferrals for long-time homeowners, reducing the possibility that high property taxes will force sales and move-outs (In California, one of the few advantages of Proposition 13 is its mitigating impact on tax-driven displacement);
- Performance-based building codes which encourage the cost-efficient rehabilitation of existing units over replacement or abandonment;
- The use of Community Development Block Grants (CDBG) and other government subsidies for housing investments and revitalization efforts targeted to low-income residents in existing neighborhoods;
- Linked deposits for housing rehabilitation, wherein local government accepts a lower-interest on some of its bank deposits in turn for banks issuing lower-interest loans to assist housing rehabilitation in the community;
- Community land trusts, where non-profits own the land and home-owners purchase only the improvements, thus reducing the cost of home ownership;
- Non-profit, community-based development corporations, which accept lower than market returns in exchange for the ability to pursue community economic- and social-development objectives.

4.6. Development participation

Land trusts and community-based development corporations point to an emerging but very tangible class of incentives: direct community participation in the economic benefits, even the profits, of development. While community-based development has been most prevalent as a bootstrap technique in lower-income neighborhoods, there are a few examples of neighborhood partnerships pursuing development profits in more affluent communities.

A few neighborhoods have organized property pools, wherein neighbors join their parcels together to create an attractive development site for higher density. The neighbors, rather than a developer, then reap the land-value increment resulting from assembly.

While principally used to date to help preserve historic landmarks, open spaces and other community assets, transfer of development rights (TDR) might also be used to help neighbors preserve their existing homes while participating directly in the financial results of higher-density development. It might work something like this:

- the local government provides a small increment of zoned density across a broad neighborhood area (for example, the permitted floor area ratio (FAR) is increased from 0.6 to 0.8 in area where most homes are already developed to 0.6);
- the local zoning also permits property owners to transfer all or part of their incremental density (in square feet) to a recipient site and for that site to amass density up to a designated maximum (say 2.0);

- the owner of the recipient site compensates the owners of donor sites at a market rate per developable square foot;
- the recipient site is developed at an incrementally higher density than the surrounding neighborhood, with existing owners reaping direct financial benefit.

Obviously this kind of incentive cannot be implemented casually. Without a great deal of care, it could set up a destructive dynamic among neighbors, particularly if some neighbors chose to participate in the transfer scheme and others did not. Depending on one's position or perspective in the development process, it could be perceived as either blackmail or bribery. And the distribution of recipient and donor sites would have to be subject to a meticulous land-use plan. However, in the context of an inclusive, consensus-based plan, a cautious and limited TDR scheme may be an effective means of creating more neighborhood winners and fewer perceived losers in the redevelopment game.

5. Conclusion

There are a great many tangible and intangible incentives that can be applied to encourage local governments in their smart-growth endeavors, to assist developers and investor in undertaking smart development, and to help neighborhoods accept change. Fiscal resources to support the more tangible incentives will continue to be a big issue for the foreseeable future. One of the most useful roles regional agencies can play in this fiscally constrained environment is the conceptual and programmatic packaging of various incentives to make them more accessible and useful to local governments. MTC's TLC and T-plus programs demonstrate the utility of this approach, although at an admittedly restricted scale. Similar creativity, applied beyond the limited use of state and federal transportation funds, may be of substantial assistance as well.

While some incentives require financial resources and many require cleverness and intelligence to put in place, the common denominator and the principal driving force is a collective attitude that welcomes smart growth and development. If there is a community will to accommodate regionally appropriate growth, then appropriate incentives will likely follow. If that will is not there, then the provision of financial and technical resources, no matter how generous and clever, will most likely be ineffective.

By far the most effective and least paternalistic incentives are those which communities design for themselves through challenging, inclusive planning processes. A well-planned community, planned with existing community residents and businesses but also mindful of future regional needs, may be its own highest incentive.



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Joint Policy Committee / Regional Planning Program

Date: September 7, 2005
To: Joint Policy Committee
From: Regional Planning Program Director
Subject: Legislation Referencing the Joint Policy Committee—Update

The attached memo was not acted upon by the JPC at its meeting of June 17th, 2005, as a quorum was not present.

Since mid-June, the subject legislation has progressed as follows:

- SB 731 has been passed by both houses and is awaiting the Governor's signature. However, all references to the JPC and the Secretary's appointment of a member were deleted by amendment in the Assembly.
- AB 986 remains active, non-urgency, but has not been considered by either the Assembly or the Senate since April, when it was amended to include the reference to the JPC. Our earlier concerns still apply.

I RECOMMEND:

THAT the JPC request its member agencies to seek amendment to AB 986 (Torrico) consistent with the comments in the attached memo dated June 6, 2005.



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Joint Policy Committee / Regional Planning Program

Date: June 6, 2005

To: Joint Policy Committee

From: Regional Planning Program Director

Subject: Legislation Referencing the Joint Policy Committee

Currently before the State Legislature are two bills which reference the Joint Policy Committee. This memo describes those bills and recommends JPC positions on each.

SB 731 (Torlakson, *et al*) is a multi-subject transportation bill which, among other things, would require the Joint Policy Committee to include one representative appointed by the Secretary of the Business, Transportation and Housing Agency. This legislation is apparently intended to implement an initiative included in the Governor's signing message accompanying SB 849, the 2004 legislation which codified the JPC. In response to that signing message, at its meeting in November 2004, the JPC resolved:

THAT the Secretary of Business, Transportation and Housing be invited to appoint an *ex officio* member to the Joint Policy Committee.

Subsequently, the Secretary responded to the JPC's invitation and has herself become a member of the JPC. Given this cooperative arrangement, legislation would appear unnecessary. However, if the State feels it needs the additional comfort of legislation, there is no pressing reason for the JPC to object.

Of more substantive significance is AB 986 (Torrico). This bill, sponsored by the Bay Area Council, would require the JPC to prepare a plan identifying regional priority transit-oriented development zones for the San Francisco Bay Area region. The plan report would be reviewed and approved by MTC and ABAG and submitted to the Legislature by January 1, 2007. The bill proposes some incentives which would flow to these priority areas.

The regional prioritization of TOD zones for both expansion and existing transit investments could be a powerful smart-growth planning tool, particularly if accompanied by meaningful incentives. However, there are some issues with the details of the bill as currently written.

The bill says the JPC may prioritize "no more than fifty" TOD zones at any one time. If the incentives are meaningful, there will be pressure to fill all fifty potential spots. Such a large number may dilute the concept of "priority" and make it difficult for genuine priorities to achieve critical mass. If nearly everything is a priority, nothing is a priority. It would be better for the legislation not to set a priority floor or ceiling but to allow the JPC to exercise its complete discretion in determining the number of priorities. At least initially, I suspect this number will be considerably less than fifty.

The bill identifies two classes of incentives that would flow to priority TOD zones: special taxing powers and density bonuses.

The special taxing powers would come from the ability to establish a property and business improvement district or a Mello-Roos community facility district. While these districts may provide incentives to local governments, helping them overcome some of the fiscal disincentives to redevelopment, they impose additional costs on the residents and businesses in the area and, depending on their level, may introduce a competitive market disincentive to developers and their customers. There is also an equity question. The benefits of transit-oriented development are enjoyed by the broader community; both those who live in a TOD district and those who live elsewhere benefit from increased transit ridership and reduced vehicle miles traveled. However, with a special taxing district, those who live in the district may bear a disproportionate share of the costs.

The bill's authors undoubtedly believe that local jurisdictions will implement their special taxing powers with care so as not to introduce development disincentives, affordability issues or large equity consequences, and there is no reason to challenge this assumption. However, the task for local jurisdictions might be assisted if other complementary financial incentives were also available: in particular, tax increment financing as proposed in SB 521 (Torlakson) or AB 1203 (Mullin) and assistance for specific planning as provided for in SB 223 (Torlakson). If specific planning is tied to Master Environmental Impact Reports (MEIRs), there is a possibility of providing a substantial development incentive through an expedited CEQA process.

The bill's sponsors argue that a mandated density bonus would add support to greater density and affordability. However, it is possible that localities will simply reduce base densities to arrive at acceptable end densities including the bonus. It may be simpler and more honest to plan for those end densities from the outset or to reward the bonus not as-of-right, but in return for the provision of tangible community benefits as determined by the local planning process.

AB 986 contains standard language noting that it imposes a state-mandated local program and that the Commission on State Mandates may award reimbursement for the costs of that program. Notwithstanding this language, the Commission on State Mandates has recently rendered a decision denying State reimbursements for costs incurred in carrying out the State mandated regional housing needs allocation (RHNA) process. The Commission reasoned that local public entities that do not have taxing powers and that are not subject to State constitutional spending limits are not eligible for reimbursement. The JPC may be able to establish priorities inexpensively from work already completed. However, if additional analytic work is required, it may be necessary to receive funding directly from an explicit provision in this bill or from another assured state source.

RECOMMENDATION

The JPC has no legislative function of its own, but it can recommend advocacy positions to its member agencies.

I RECOMMEND:

- A. THAT the JPC take no position on SB 731 (Torlakson, *et al*),
- B. THAT the JPC request its member agencies to seek amendment to AB 986 (Torrico) consistent with the comments in this memo.



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Joint Policy Committee / Regional Planning Program

Date: March 17, 2005

To: Joint Policy Committee

From: Regional Planning Program Director

Subject: The JPC in Relation to Pre-existing ABAG, BAAQMD and MTC Planning Committees

The Chair of the Joint Policy Committee (JPC) has requested a report on how the JPC's mandate relates to the mandates of existing regional planning committees at each of the three member agencies. This memo, prepared in consultation with the Executive Directors of ABAG and MTC and with the BAAQMD Air Pollution Control Officer, responds to that request. The memo suggests a couple of modest ideas for responding to the expanded committee structure created by insertion of the JPC. The ideas attempt to pursue efficiencies and enhance communication while retaining the pre-existing committees and their inclusionary benefits.

The JPC

The JPC derives its mandate from two sources: the final report of the ABAG-MTC Task Force, dated December 19, 2003; and SB 849 (Torlakson), signed into law September 25, 2004.

The Task Force report describes the JPC mandate as follows:

A permanent joint policy committee, consisting of representatives of the ABAG and MTC Boards shall be created. The Joint Policy Committee's purpose is to advance integrated regional planning and will have authority to comment on and review any substantial regional plans or strategies that are devised by either agency, and shall report directly to the board of each agency. The focus of the Committee's efforts will be to periodically update the regional vision and outline implementation strategies for consideration by ABAG and MTC. Countywide agencies made up of city and county representatives as well as other regional agencies should be involved extensively in helping to update the Vision and creating strategies. The Joint Policy Committee will look at its relationship with the Regional Agency Coordinating Committee and other standing committees of each agency.

SB 849 elaborates on and arguably expands that mandate:

The joint policy committee shall coordinate the development and drafting of major planning documents prepared by ABAG, MTC, and the Bay Area Air Quality Management District, including reviewing and commenting on major interim work products and the final draft comments prior to action by ABAG, MTC, and the Bay Area Air Quality Management District. These documents include, but are not limited to, the following:

- (1) *Beginning with the next plan update scheduled to be adopted in 2008, the regional transportation plan prepared by MTC and described in Section 66508 of the Government Code.*
- (2) *The ABAG Housing Element planning process for regional housing needs pursuant to Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7.*
- (3) *The Bay Area Air Quality Management District's Ozone Attainment Plan and Clean Air Plan.*

There are four key characteristics of the JPC mandate:

1. The JPC has a core responsibility in the development and implementation of integrative regional strategy (currently the Smart-Growth Vision);
2. In pursuing that responsibility, the JPC will involve other significant parties—particularly counties and cities;
3. The JPC is responsible for coordinating and reviewing major planning documents from each agency for the implied purpose of pursuing consistency with the integrative strategy;
4. However, final decision-making authority will continue to reside with the member Boards and Commission, and the JPC must report directly to the relevant Board(s) and/or Commission for final disposition of any policy recommendation.

The Task Force report makes explicit reference to the Regional Agency Coordinating Committee (RACC). The RACC was created to coordinate the work of ABAG, BAAQMD, and MTC on air quality plans. It was also briefly charged, together with a smart-growth working group, with pursuing implementation of the Smart-Growth Vision. However, it did not have time to make significant progress on the latter task. As the SB 849 gives the RACC's original *raison d'etre* to the JPC and as the Task Force report assigns smart-growth strategy to the JPC, both the primary and secondary mandates of the RACC have been obviated. The RACC has not met since the JPC started meeting.

Member Agency Committee Structure

Each of the member agencies has in place an existing committee structure to advise on and consider planning and policy matters.

At ABAG, the Executive Board makes planning and policy decisions. For example, the Board approves and adopts the policy-based population, household and jobs forecasts (most recently *Projections 2005*) and the Board adopts the Regional Housing Needs Determination. The Regional Planning Committee (RPC) is one of three standing committees of ABAG and is charged with studying and submitting the following to the Executive Board: the Regional Plan for the San Francisco Bay Area; environmental management, housing and infrastructure planning; comprehensive policies and procedures; and other matters as assigned by the Executive Board. Nearly three-quarters of RPC members are directly elected and represent member cities and

counties as well as special district boards and other regional bodies. Other members represent designated special or public interests. Over the years, the RPC has been a leader in developing ABAG planning initiatives, including the land-use policy framework, sub-regional planning policies, and smart growth strategies.

Planning and policy decisions at the Air District are made by the Board of Directors, with in-depth discussion of some policy and planning issues occurring at the Board's Executive Committee. The Board and the Air Pollution Control Officer are advised by an Advisory Council made up entirely of non-elected appointees selected for their expertise or interest affiliation.

The Commission is, of course, the policy-making body at MTC, with the Planning and Operations Committee (POC) providing a forum for the detailed consideration of planning matters. Of the three agencies, MTC has the most complex structure of committees, constituted to provide advice and to pursue projects and programs in partnership with other agencies. The advisory committee most related to general regional transportation and land-use policy is the Advisory Council. Members of the Council, all non-elected, either represent an interest or an area of technical knowledge.

The BAAQMD and MTC Advisory Councils and the ABAG Regional Planning Committee may undertake their own work programs and discuss items without immediate reference to policy items pending before the Boards or Commission. Information exchange may be the only intended short-term result, and there may be no expectation of an imminent Board or Commission decision. Part of the RPC's mission is to elevate new issues to the fore; information exchange can be a first step in deciding that an issue is of sufficient import to warrant a subcommittee, special study, development of tools and resources, etc.

In addition to standing committees, all three agencies may appoint *ad hoc* technical advisory committees (TACs) to assist with the development of particular policies or programs. As well, all three agencies are members, along with a variety of private-sector and voluntary organizations in the Bay Area Alliance for Sustainable Communities. The Alliance was the umbrella organization for the *Compact for Sustainable Development* and was one of the partners in the development of the *Smart Growth Strategy / Regional Livability Footprint Project*, a key representation of the Smart-Growth Vision. ABAG was the lead agency and secured the funding for the merged smart-growth / livability footprint work.

Consolidated Committee Structure

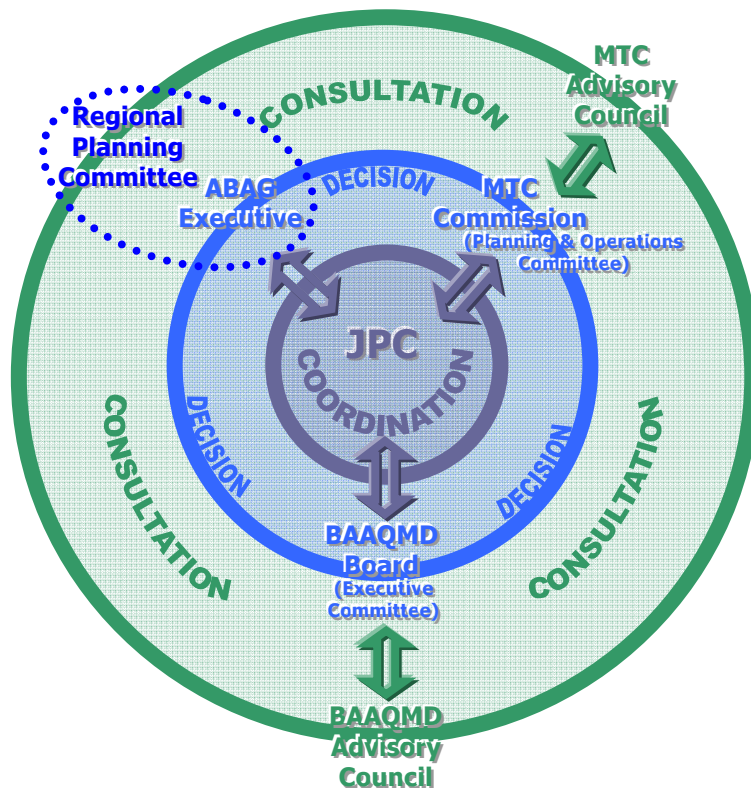
Inserting the JPC into the existing structure of major policy and planning committees results in the consolidated structure illustrated in the diagram on the next page.

The JPC is at center of the action, developing and pursuing a regional strategy and coordinating regional planning work in all three agencies to ensure plans, policies and actions consistent with the strategy.

However, policy decisions can only be made by the member Boards and Commission. In their detailed policy deliberations, these bodies may rely on standing committees composed entirely of

Board and Commission members (e.g., the BAAQMD Executive Committee or the MTC Planning and Operations Committee) or committees with broader membership (the ABAG Regional Planning Committee).

The Boards and the Commission may also draw upon policy advice provided by committees or councils containing members from the broader community of interest groups and experts. The ABAG RPC is a hybrid in that it contains both non-elected advisors and elected members. It is both a standing committee and an advisory group. From time to time, the advisory groups and the RPC may, either through their own initiative or as result of a Board or Commission referral, consider regional issues without direct reference to a pending policy decision. This may be purely for the purpose of information sharing, for the objective of assessing early warnings, or to incubate new ideas not yet ready for prime time.



Potential Issues

The consolidated structure described above was not planned; it just happened. As a result, there may be some issues requiring resolution. Three inter-related concerns stand out:

1. Repetition and duplication

As major planning and policy items must be considered by an increasing variety of decision-making, advice and coordinating bodies, there is potential for some perceived and real inefficiencies in the use of member and staff time. For example, an ABAG member sitting on the JPC, the RPC and the ABAG Executive may be required to sit through essentially the same staff presentation at least three times (Multiply that number for some JPC members who sit on both Boards and the Commission!). Staff, pursuing a major policy initiative may be required to speak to at least a half dozen groups within the circle of the three agencies before even taking a step out the door to consult with a broader constituency of local governments and the general public. This places a burden on already busy Board and Commission members, adds to the time required to resolve major policy issues and reduces the ability of a finite staff resource to pursue new initiatives. To some extent this is an unavoidable cost of undertaking complicated planning tasks and seeking difficult policy choices in a large and complex region. It is important that no one feel excluded. However, if we are to

make relatively rapid progress and not wear people out, we need to do as much as we can to make this process efficient and expeditious.

2. Priorities and focus

One huge reality for the Bay Area is that the resources available to pursue integrated, strategic regional planning of the type mandated to the JPC are limited. Planning investigations not directly related to the regional strategy serve a useful purpose, but every resource they consume is a resource not available to the integrative strategy and its implementation. To the extent that regional resources are used by advisory or standing planning committees independent of and unrelated to the consolidated regional planning mandate, the ability to meet that mandate is diluted. Agencies may need to make choices between independent planning programs and their demonstrable benefits and consolidated work on the regional strategy. Without a net increase in resources or hard choices about priorities, we will not be able to meet expectations for the JPC and the integrative regional strategy.

3. Indirect connection between the JPC and the community of advisors

As the diagram illustrates, the advisory councils and the RPC provide advice to their respective Boards and Commission. The link to the JPC and its strategy and coordination mandates is indirect. For integration to occur and for the strategy to be effective and robust, there may need to be more direct communication between the JPC and the advisory bodies and among the advisory bodies themselves. A meaningful connection with the Bay Area Alliance and the other regional agencies may also need to be re-established, noting that the agency advisory bodies and the Alliance also have many members in common.

Steps Toward Resolution and Improvement

The existing agency committee structure, before the interjection of the JPC, is an institution. Some parts of it have existed for decades. Institutions do not change quickly or easily, and the issues identified above are inevitable and expected. Wholesale restructuring of the existing committees and their mandates risks losing the many benefits they can provide.

However, the JPC and its constituent agencies can begin taking some steps to reduce redundancy, focus resources and improve communication.

One possible step is to do as MTC has done with the draft TOD policy, essentially turning over refinement and development beyond the initial draft to the JPC. It is MTC's intention to only bring TOD to the attention of its own Planning and Operations Committee and Commission at key policy junctures after the JPC has carefully considered broad policy implications, received public comment and formulated recommendations. The JPC will be the single focus point for an integrated consideration of TOD policy relative to the region's consolidated growth and development objectives.

Taking this approach one step further would involve bringing major policy work to the JPC at its very inception, not in mid-stream as has been necessitated by the initiation of the TOD work well

before the JPC's creation. This would help ensure truly integrated work programs, involving appropriate resources and perspectives from all member agencies, and would allow the JPC to clearly focus on what we are doing together, not on what we are doing independently.

Another possible innovation is to use a conference model for those extraordinary instances when a policy initiative requires involvement of a wide spectrum of advisors. The model is a common one, which most people in public life have experienced. It would work something like this:

- Various advisory councils and committees (and perhaps even groups like the Bay Area Alliance) would come together in one large room to hear a common staff presentation and maybe a panel discussion of countervailing views;
- The councils, committees, and groups would then meet separately in breakout sessions to identify and discuss issues and formulate preliminary recommendations for the JPC;
- The separate committee reports might be presented in plenary session, so groups could learn from one another;
- Working from common themes and from areas of agreement and disagreement identified by the various committees and groups, the JPC (assisted by its staff) would identify an agenda for further discussion and possible staff work;
- Depending on the complexity of the policy issue, there might be iteration through another conference or two until a shared, implementable package could proceed through the JPC to the relevant Board(s) and/or Commission.

There are some obvious logistical problems in working this way, and it is inappropriate for most common decisions that the regional agencies currently make. However, for major policy questions, involving multiple interests, it may be a more expeditious and informative process than the current method of proceeding one committee at a time. It is certainly worthy of serious consideration for the few major policy initiatives for which it would be applicable and for which the costs of organization can be justified by time and staff savings compared to a more disjointed and incremental approach.

There may be other improvement ideas as well. It is important to not get fixated on "shape-of-the-table" issues, and we should not be concentrating on committee structure and processes at the cost of paying less attention to the substantive issues that really matter to the region. However, we may benefit from recognizing and acknowledging that there may be issues and problems with the consolidated committee structure which interjection of the JPC and the objective of coordination have produced. These issues and problems will not go away by themselves, and at least some small intervention and experimentation may be desirable. It is a different regional world then it was this time last year, and everyone may need to adjust at least a little if we are to make the progress expected of us all.

RECOMMENDATION

The Regional Planning Program Director, in consultation with the Executive Directors of ABAG and MTC and with the BAAQMD Air Pollution Control Officer, RECOMMENDS:

THAT the JPC encourage member agencies to use new major policy initiatives as opportunities to consider how items are assigned to and processed through standing committees and advisory councils so as to:

- Acknowledge and use the new integrative planning and coordination role of the Joint Policy Committee as early as possible in policy development;
- Minimize unnecessary duplication and inefficiencies in the use of member and staff time;
- Accord priority to implementation of the integrative regional vision through the JPC and appropriate member agencies;
- Promote productive communication among advisory councils and standing committees and between those bodies and the Joint Policy Committee;
- Ensure that involvement remains inclusive and considerate of all relevant interests.